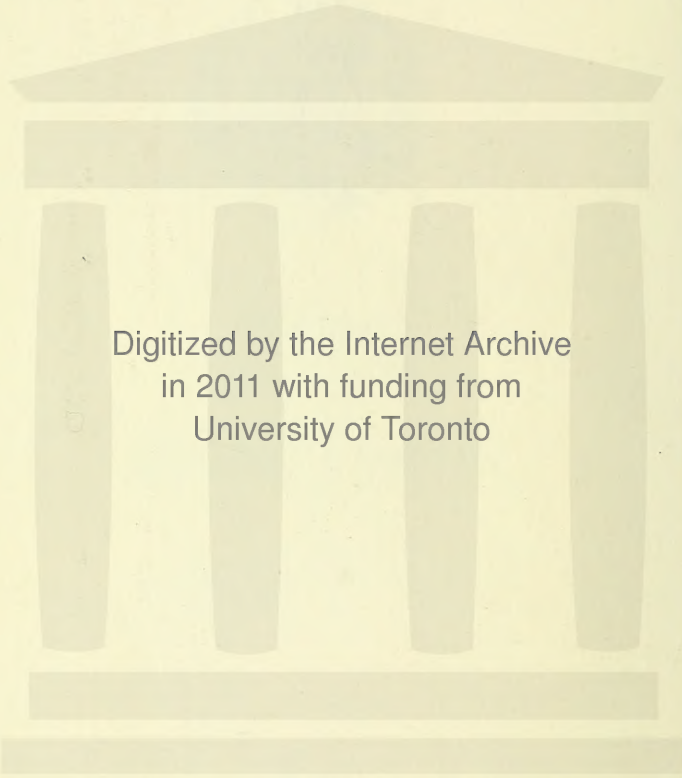




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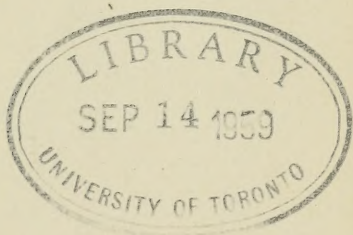
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A HISTORY OF THE NATIONAL CORDAGE COMPANY

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COPIES OF IMPORTANT DOCUMENTS

BY
ARTHUR S. DEWING, PH.D.
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INTRODUCTORY NOTE

THIS history of the National Cordage Company is part of a book on Corporate Promotions and Reorganizations now in preparation for the press. The extract has been separately printed for use in college classes.

The Cordage Company was selected from among others for the following reasons: (1) at the period of its greatest strength, it was one of the most notable combinations effected up to that time, (2) its history affords illustrations of almost every aspect of financial policy that could pertain to an industrial combination and the history of no other "trust" is so rich in illustrative material, (3) the failure of the company had a national significance, as it tended more than any other, to create the feeling of uncertainty which led to the panic of 1893, (4) as the company and its successors have disappeared entirely from the business world, the narrative can be made complete.

The collection of selected documents in the supplement offers students an opportunity to familiarize themselves with sources available for a study of this kind.

A HISTORY OF THE NATIONAL CORDAGE COMPANY

CHAPTER I

THE PROMOTION AND FAILURE

The antiquity of the industry, 3; early pools, 5; the National Cordage Association, 7; organization of the National Cordage Company, 8; expansion of the National Cordage Company, 11; increase of stock and public offering, 12; manipulation of hemp and buying competition, 16; financial operations, 23; failure, 28.

CHRONOLOGICAL SUMMARY

- 1861. First trade agreement.
- 1878. First pool.
- 1887. Incorporation of the National Cordage Company.
- 1889. Beginning of policy of expansion.
- 1890. Increase of capitalization and public offering of stock.
- 1892. Maximum control of the Company.
- 1893. Stock dividend of 100%.
Failure.

OUR interest in the manufacture of cordage lies in the fact that here is to be found one of the first instances in which competing businesses united to form a large industrial consolidation for the sake of exacting monopoly profits. In its brief career the National Cordage Company illustrated almost every economic and financial problem that could ordinarily present itself in the history of any industrial consolidation. On the economic side it showed the gradual concentration under one control of upwards of ninety per cent of the American production in an industry where every condition favored competition. It dominated the market for the raw material and controlled as well the essential machinery used in the process of manufacture. To accomplish these ends every device was resorted to for creating a monopoly, — the “gentlemen’s agreement,” the pool, the legal trust, the leased corporation, and the holding corporation.

The financial history was no less varied. The common stock was issued to the promoters and the preferred stock to the public; the stock was marketed by a professional operator; officers of the Company participated in speculative "pools"; a stock dividend was declared on the basis of fictitious earnings in order to aid the speculation in the Company's securities. Unable to carry the burden of an oversupply of raw material and finished product, with its trade position undermined by new competitors, the consolidation collapsed in a day. Receivers were appointed and the Company was reorganized. All this occurred at the beginning of the panic of 1893, before the depression of the middle nineties, fully five years before the majority of our large industrial corporations sprung into being, and nearly ten years before the ill-fated among them had been reorganized. This early, one might say precocious, attempt on the part of the cordage manufacturers to create a monopoly gives the consolidation a particular interest for the student of economic history.

At the time of its strength, moreover, the National Cordage Company was a giant. *The Commercial and Financial Chronicle*, usually sparing in adjectives, referred to it as the "great industrial corporation."¹ It occupied the center of the stage, with the American Tobacco, the General Electric, and the American Sugar Refining Companies of minor importance. Powerful New York Bankers were behind it. When, therefore, the whole house of cards fell to pieces in one crash, the collapse carried with it a disturbance and contraction of business confidence which contributed, more perhaps than any other single failure, to the acuteness of the crisis of 1893. After that time the reorganized Company led an uneven existence, reorganized and reorganized again, all the while diminishing in importance, until there remained hardly a vestige of its former prominence. Created originally to stifle competition, the consolidation was itself stifled by it.

The spinning of rope was among the first industries set up in colonial days. A rope walk was to be found in Boston as

¹ 56 *Chron.* 247, February 11, 1893.

early as 1642; and John Harrison was granted a monopoly by the Massachusetts Bay Colony, for his "rope field," to extend down to 1663. "In the federal procession of 1788, the men employed in the industry outnumbered any other class of mechanics in Boston." From Massachusetts, the industry extended to other colonies. A picture of New York, in 1728, shows "Tucker's Rope Walk."¹ In all this early period, rope making was dependent on the business of shipbuilding; so that, with the gradual decline of the latter industry, it became relatively unimportant. After the invention of the self-binding harvester machinery, a sudden impetus was given to the industry through the demand for binders' twine.

The first trade agreement among cordage manufacturers was consummated February 23, 1861.² The object was "to establish certain customs in the trade," correct abuses and misbranding, and to come to an understanding regarding prices. Weekly meetings were held in all the eastern cities where the cordage manufacture had secured a foothold. In July, 1874, the old agreements were entirely rewritten, and the "manufacturers pledged themselves, as men of honor and integrity, to the true and faithful observance of the rules." This proved ineffectual to prevent underselling, and the agreement was strengthened in 1875. Since this, too, proved of little avail as competition became stronger the manufacturers concluded to adopt a pooling system. The first pool was established January 1, 1878. A committee in conference with the manufacturers agreed that certain percentages of the total production of the country should be assigned to each manufacturer. "The percentages ranged from eleven and one-fourth per cent to one per cent."³ When the business of a concern for a given

¹ Predecessor of the Tucker and Carter Company, one of the four chief constituents of the National Cordage Company.

² Much of the information in this paragraph was derived from *The Cordage Industry* by Benjamin C. Clark, Boston, 1895; a brief summary in eight pages, prepared for "The Memorial Centennial of 100 years of American Commerce."

³ *The Cordage Industry*, by Benjamin C. Clark, p. 5. J. M. Waterbury testified before the Industrial Commission that L. Waterbury and Company had the largest percentage in the pool. XIII R. I. C. 127. As has become notorious in connection with the steel industry, price fixing and pooling agreements were frequently ar-

month exceeded the assigned percentage, that concern paid into the pool 2 cents a pound on the excess. The manufacturers whose production fell below their assigned percentages drew out from the pool 2 cents per pound on the difference.¹ "In 1880, the amount of the pool was reduced from 2 cents to 1 cent per pound, and in June of that year to $\frac{1}{4}$ cent; but in January, 1881, the pool was abolished."² Associations, conducted along the same lines, were formed in 1882 and in 1885. The last was to exist until February, 1888, but was broken up about a year previous, just before the organization of the National Cordage Company, on account of price cutting and false returns. Indeed, the reason for the failure of all these pools seems to have been that always some men would undersell their competitors, or make false returns to the organization.³ There seems no doubt that competition was particularly severe during this period and the manufacturers regarded the agreements as means of mitigating its severity. Yet the ease with which they were broken up shows clearly that their influence was nominal. The pools controlled, however, a large percentage of the production,⁴ and were probably able to reduce somewhat the amount

ranged at "dinners." For example Edwin H. Fitler gave a "banquet" to the trade at the consummation of the arrangements for the pool of 1885.

¹ An excellent account of the operation of such a "pool" is given by Henry Hudson in an account of "The Southern Railway and Steamship Association" which was operated among southeastern railroads, during this period. *V Quarterly Journal of Economics*, 70. Also reprinted in *Railway Problems*, edited by Wm. Z. Ripley, p. 98. See also, Hadley, *IV Q. J. E.* 158; *Bradstreet*, December 15, 1888; E. B. Andrews "The late Copper Syndicate," *III Q. J. E.* 508.

² Clark, *The Cordage Industry*, p. 5.

³ This generalization is also borne out by the testimony given to the Industrial Commission by various men (*XIII R. I. C.* 112-172) and by the reports that early cordage men gave to the writer in conversation. J. M. Waterbury testified, "They were always broken up by other new competition starting, or by some men not being willing to act up to the agreement." (*XIII R. I. C.* 126.)

⁴ The production of cordage during the life of the United States Cordage Manufacturers' Association, the first pool, is seen from the following table. Statistics from Clark's *The Cordage Industry*.

	Pool
1878	46,661,000 pounds
1879	59,808,000 "
1880	70,480,000 "

These estimates averaged at least 70% of the total American output.

of cordage manufactured. They were hampered, and perhaps helped in a certain sense, by the enormous expansion in the cordage industry resulting from the manufacture of binder twine for the McCormick self-binding harvesting machinery.

In order to obtain the advantages of combined action four of the largest manufacturers formed among themselves two separate organizations, one a "trust" and the other a corporation. The first was an actual "trust" in the old legal sense of the word.¹ The owners of the stocks of the competing companies assigned them to a central board of "trustees," who issued certificates of proportionate interest or shares in the total property held by them as trustees. In this way the trustees had absolute control, as legal owners, of the subsidiary companies, yet these subsidiary organizations were kept intact as ostensibly competitive units. The legal trust was a logical development out of the "pool," when it was recognized that the managers of the pool had no legal control over the operations of its members. As trustees of the trust they were the legal owners of the property of the members, and could therefore administer each separate mill in the interest of the whole organization. In this case the trust was called the National Cordage Association. It controlled four separate companies. The L. Waterbury Company with a mill in Brooklyn, was distinctly the largest single manufacturer of rope and twine in the country. It had been in profitable operation for years as an independent mill, and it entered the new combination with a large surplus and high commercial credit. Its financial rating was well above a million dollars. The Tucker and Carter Cordage Company was one of the oldest concerns in the business. In the early part of the eighteenth century, the great-great-grandfather

¹ The references on the old legal "trust" are numerous, see especially W. W. Cook, *Trusts*, 1888; G. H. Wald, "Two Recent Trust Cases," I *Har. Law. Rev.* 201; F. J. Stimson, "Trusts," I *Har. Law. Rev.* 132; T. W. Dwight, "The Legality of Trusts," III *P. S. Q.* 592; N. Heinsheimer, "The Legal Status of Trusts," IV *P. S. Q.* 190. For good description of the operation of a trust see J. W. Jenks, "The Development of the Whiskey Trust," IV *P. S. Q.* 296 (reprinted in *Trusts, Pools, and Corporations*, edited by Wm. Z. Ripley, p. 22). For later legal opinions see Boisot, 30 *Am. Law Reg.* 751; Dodd, 7 *Har. Law. Rev.* 157.

of the then head of the Company was a shipping merchant, who started a rope walk in order to manufacture his own rope. In 1887, the mill was capitalized for only \$500,000. Its business had permitted of thirty per cent in dividends, besides allowing upwards of \$600,000 to be deflected into improvements. The W. Wall's Sons and the Elizabethport Cordage Company were old concerns quite as successful. It is true, therefore, that the cordage consolidation began its life with four well established, conservatively capitalized businesses, which had yielded high profits as separate organizations. These four companies operated 2800 spindles and manufactured about thirty per cent of the rope and cordage produced in this country.¹ The Association had not the proportionate control over the industry that some of the early pools had had, owing to the fact that several of the largest manufacturers would not deed their mills to the trustees. All the Association's affairs were kept secret. After the American Sugar Refining and Standard Oil decisions,² the attorneys for the manufacturers advised them to give up the trust form of organization because of its doubtful legality. The advantages of combination had already been secured in the corporate form of organization.

The other means of combination was through a corporation in which the four manufacturing concerns had a joint interest. On July 20, 1887, the certificate of incorporation for the National Cordage Company was filed with the New Jersey Secretary of State. The Corporation was under the direct control of the four large cordage manufacturing companies referred to in the pre-

¹ The estimate given by J. M. Waterbury before The Industrial Commission was forty per cent to fifty per cent. (XIII R. I. C. 127.) It was excessive, however. In the latter part of 1891, a writer in the *New York World*, apparently conversant with the situation, estimated the spindle capacity of the country at 10,386. The checks available by the present writer at this time would indicate that this estimate is thoroughly reliable. The four mills just mentioned had 2800 spindles. Allowing for the growth of competition in the meantime, we may estimate roughly the control of the four mills just mentioned, at the time of the early "trust" and the formation of the National Cordage Company in 1887, at thirty per cent of the country's production. This was the nucleus of the whole consolidation.

² *People v. North River Sugar Refining Co.*, 121 N. Y. 582, 1890. *State v. Standard Oil Co.*, 49 *Ohio St.* 137, 1892.

vious paragraph. Its authorized capital was \$2,500,000 and the initial cash subscription was stated as \$1,000,000. This was soon increased to \$1,500,000. The Corporation was at first merely a legal device for enabling the members of the National Cordage Association, the "trust," to coöperate with each other in the purchase of hemp and sisal and in the sale of the finished rope and twine. The capital, contributed by the manufacturers themselves, was used to finance the purchase of raw hemp and sisal for the members of the Association and to assist in carrying the considerable load of floating debt always present in a seasonal business like that of the manufacture of binder twine. The Company was conceived as a convenience to help in the conduct of the manufacturing business, a financial prop to help maintain the control of the market secured by the Association. The stock was all held by the manufacturers themselves and none was placed on the market during the first three years of the Company's history. The Directors were men thoroughly familiar with the cordage business.¹ In fact promoters, bankers, and stock market interests were conspicuously absent during the early years of the National Cordage Company's history.

The practical common sense of the Directors of the Cordage Company is indicated by their method of conducting the business of the separate mills. Each one of the four manufacturing companies managed the operation at its own mills, while the organization of the National Company merely attended to the purchase of the raw material and the sale of the finished product. To stimulate economical production the Directors of the National required each operating company to bid a price at which it would manufacture for the central organization. In case the bid was not as low as that of the other subsidiary operating companies the unsuccessful competitor was required to close its mill at its own expense. This entailed considerable loss,

¹ James M. Waterbury, President, and Chauncey Marshall from the L. Waterbury & Company; Willard P. Whitlock and Elisha M. Fulton from the Elizabethport Company; Frank T. Wall from W. Wall's Sons; John A. Tucker and Caleb P. Marsh from Tucker and Carter. (Marsh had been hired by the Tuckers to look after their interests in the Cordage Association and the National Cordage Company.)

although the Company would, of course, derive an income from its interests in the National Company and the National Association. The lower the price at which the manufacturers were willing to spin the cordage, the larger the margin of profit between the raw hemp and the finished rope and twine, and incidentally the greater the earnings of the National Cordage Company. This method of preserving individual responsibility in the face of consolidation, of stimulating efficiency of personal attention to detail without relinquishing the economies of large scale production, is possibly unique, and certainly worthy of careful consideration. Later, when the listing committee of the New York Stock Exchange were passing judgment on the securities of the Company they are said to have called it "a novel idea" and "a pretty sound scheme of consolidation."¹ "All the economies of consolidation are secured by this plan of organization, as well as the wholesome effect of free and keen competition among the manufacturers."² The fact that the Cordage Company discovered this device for solving some of the difficulties of concentrated ownership and control in the very earliest years of the combination movement is indeed worthy of note.

Stimulated by the success with which they were managing the four large mills, the Directors of the National Cordage Company conceived the plan of a combination of cordage mills which should exert a monopolistic influence throughout the industry. To this end the Directors leased for ninety-nine years the properties of the four large cordage companies, and used the \$1,500,000 of money paid into the Company's treasury as working capital. In this way the National Cordage Company began to assume some of the functions of the Association, and to play, therefore, a more important rôle. It was to be the nucleus of a larger combination. Furthermore, the Directors began to negotiate for the acquisition of various small mills throughout the east and by the end of 1890 they controlled by lease or option ten small mills besides the four already in the

¹ Quotation of J. M. Waterbury's testimony. XIII R. I. C. 127.

² Belmont and Vermilye's Prospectus for the sale of the preferred stock, p. 3.

National Association. These mills altogether had a nominal capacity of upwards of 3900 spindles.¹ The total operating spindles of the United States amounted in 1890 to something between 9500 and 10,000. The first expansion of the National Cordage Company, therefore, gave it a nominal control over something like forty per cent of the rope and twine production of the country.

In the spring of 1890 three circumstances prompted a further extension of this policy on the part of the National Cordage Company. The first of these was the advice of the Company's attorneys that the old National Cordage Association, being of the nature of a trust, should not be continued. Much discussion was current concerning the Standard Oil and especially the American Sugar Refining trust cases, then pending in the Ohio and New York courts. The attorneys assured the Cordage Association managers that the same ends could be attained under a corporate form of organization. This corporate form could be supplied should the National Cordage Company take over the entire functions of the Association. The second circumstance that prompted an enlargement of the National Cordage Company was the desire of the Directors to secure a public market for the Company's securities, and thereby extend the business beyond the limits of their own capital which had been very much depleted by unfortunate speculations in raw hemp to be described presently. The public was not aware of

need for
futures

¹ Original four operating companies of the National Cordage Company:—

L. Waterbury & Co.	Brooklyn, N. Y.	900 spindles
William Wall's Sons	Brooklyn, N. Y.	500 "
Elizabethport Cordage Co.	Elizabethport, N. J.	800 "
Tucker & Carter Cordage Co.	Brooklyn, N. Y.	600 "

The ten mills acquired by lease or option during the latter part of 1889 and the early part of 1900:—

Xenia Twine & Cordage Co.	Xenia, O.	100 spindles
J. Rinek's Sons	Easton, Pa.	150 "
Akron Twine & Cordage Co.	Akron, O.	150 "
Victoria Cordage Co.	Dayton, Ky.	400 "
H. R. Lewis & Co.	Philadelphia, Pa.	100 "
Randall, Goodale & Co.	Boston, Mass.	100 "
Baumgardner, Woodward & Co.	Philadelphia, Pa.	50 "
G. C. Pooley & Sons	Buffalo, N. Y.	100 "
New York Cordage Co.	New York City	36 "
	(soon dismantled)	
Altas Cordage Co.	New Orleans, La.	
	(soon dismantled)	

List from Belmont and Vermilye Prospectus, and capacity from *New York World*, article quoted in 54 *Chron.* 34, January 2, 1892.

these circumstances and the Directors believed that the high financial standing of the four constituent cordage companies would enable them to sell the National Company's securities to the public. Whether or not the desire to recoup the treasury from the losses sustained by unsuccessful speculations was the primary motive that led to the extension from a private to a public corporation, it was at least incidental. In addition the Directors believed they could make a promotor's profit through the sale of the securities. The business community assumed in 1890, as it did in 1899, that immense profits could be made from the mere promotion of large industrial combinations. The third reason was the fever of extension then prevalent in the community and the belief that through a nominal control over the country's production of cordage the National Cordage Company could both exert a monopolistic influence on prices and also secure great profits from the economies of large scale production. No expectations of profits through combination and trade monopoly seemed too extravagant in 1890. The first "boom" period of consolidation was at its height and in sympathy with it the Directors sought to acquire the actual ownership of the mills previously held through leases. As the floating debt was unusually large during certain times of the year, on account of the seasonal character of the business, investments in fixed assets could not be carried by means of bankers' loans. Extensions in the direction of purchasing real estate could be financed, therefore, only through the increase of capital liabilities. All these changes were alone possible through an increase in the capitalization of the National Cordage Company and an extension of its credit beyond that of the local bankers and note-brokers.

In the summer of 1890 the capital stock of the National Cordage Company was increased from \$1,500,000 to \$15,000,000, of which two-thirds was common stock and the other third eight per cent cumulative preferred stock. This latter was offered to the public¹ by August Belmont and Company and

¹ The public did not subscribe to the preferred stock to the extent that was expected. The Directors of the Cordage Company were compelled to take back a large part of the issue.

Vermilye and Company in an extravagantly optimistic prospectus dated October 9, 1890.¹ The common stock was divided about evenly among the original four companies and in addition some cash was paid to each, from the proceeds of the sale of the preferred stock.² With some of the money remaining from the sale of the preferred stock the National Cordage Company purchased outright the ten small mills which it already held under lease or option.

The actual value of these fourteen mills, as operating plants, can be estimated by indirect evidence. In the banker's advertisements, it was said that "the value of the assets," of the National Cordage Company inventoried August, 1890, "exclusive of the proceeds of the \$5,000,000 preferred stock to be issued, is \$12,000,000 and upwards, over and above all liabilities."³ We therefore assume that the valuation of the promoters and bankers whose judgment we have already quoted, placed an actual value of \$17,000,000 on the fourteen mills, and all the quick assets then owned, or presently to be acquired, by the National Cordage Company. The capacity of these fourteen mills was 3936 spindles.⁴ Excellent modern mills could have been erected at the time, for \$500 per spindle. The working capital necessary to operate them would represent another \$500 per spindle. Conservative figures would place

¹ Advertisement and announcement in 51 *Chron.* 491, October 11, 1890.

² For example, the Elizabethport Cordage Company received \$2,397,300 in National Cordage Company common stock, and approximately \$500,000 in cash. *Balch v. National Cordage Company*. Testimony of J. M. Waterbury before Commissioner C. N. Williams, October 17, 1892.

³ Prospectus of Belmont and Vermilye, October 9, 1890, p. 3. Quoted also in 52 *Chron.* 279, and in Listing Application to New York Stock Exchange. The inventory was made by President Waterbury, the Secretary and three members of the Board of Directors. Why a banking house of the standing either one of these possessed consented to lend its name to the marketing of a stock of such unknown value is indeed a mystery. Nor indeed were the bankers guarded in their direct assertions. They state the results of the plant appraisals as based on affidavits "satisfactory to them." The striking difference in tone between this early circular and the prospectuses now published by bankers is deserving of note.

⁴ Figures taken from writer in *New York World*, quoted 54 *Chron.* 34; January 2, 1892. From other evidence the present writer believes this estimate reliable. *Supra*, p. 11.

the reproduction cost at \$1,000 per spindle,¹ including fixed and current assets. The actual value of the property of "going" mills of the most modern construction with a capacity of say 4000 spindles, a half to two-thirds of which spun only binder twine, would not exceed \$5,000,000. Mr. J. M. Waterbury, the first President of the National Cordage Company, admitted, in his testimony before The Industrial Commission, that the \$5,000,000 of preferred stock "had some good will in there."² Considering the antiquated character of some of the mills, and the considerable volume of current liabilities, it would be liberal to estimate the value of the property owned or soon to be acquired by the National Cordage Company, together with the proceeds of the sale of the preferred stock yet unexpended, as \$4,000,000.³ Against this property stood a capitalization of \$15,000,000 upon which the Directors sought, — and succeeded for a while, — in paying eight per cent on \$5,000,000 of preferred stock and twelve per cent on \$10,000,000 of common stock. This represented an annual charge of \$1,200,000 on assets worth less than \$4,000,000, — over thirty per cent. And such was the belief in the economies to be secured by consolida-

¹ These figures were checked by the writer according to three independent lines of reasoning: (1) opinions expressed by cordage men; (2) cost accounts of "representative mills"; (3) the financial rating of (a) representative mills, and (b) nine of the mills that entered the combination.

Mr. Grimwood testified before the Industrial Commission in 1901, that the cost of erecting a 500 spindle mill was then \$500,000 and that the working capital would be \$250,000 more. XIII R. I. C. 113. This referred to a cordage mill, which is far more expensive than a twine mill, and a very large part of these mills then owned by the National Cordage Company were equipped only for binder twine. Besides, in 1890 construction costs were less than in 1901, and the machinery was built according to less expensive patterns.

² XIII R. I. C. 129.

³ This estimate of \$4,000,000 for the actual assets of the Company is amply large. Of the fourteen mills, two were immediately dismantled. All of the smaller mills had been acquired at inflated values. The net quick assets, which are considerable with any manufacturing mill, were largely offset by bank loans. The current assets had been much depleted by unfortunate speculations in hemp. From various indirect lines of evidence, the writer feels that \$3,200,000 would represent a truer valuation of the mill property and cash assets. He prefers, however, to use the larger figure, to avoid any possible undervaluation of the Company's assets.

tion, that the market price of the common stock reached \$140 a share in less than two years.

The purposes of the enlarged activity of the National Cordage Company, aside from the change from the trust to the corporation, were to force the stock of the Company into the hands of the public on the one hand and on the other hand to extend the business so that the Company might acquire a nominal control over the industry. The Directors sought to obtain the first object by means of a "stock pool." The preferred stock had already been put on the market by bankers. The common stock was divided about equally among the four original cordage concerns. It was then reassigned in February, 1891, to L. Waterbury and Company, the largest of the cordage companies, under what amounted to a trust agreement¹ for the marketing of the stock directly through the New York Stock Exchange.² The administration of this pool was placed in the hands of James R. Keene,³ and several New York bankers became directly interested in the success of the pool. While Keene was making a market for the common stock on the Exchange the National Cordage Company's directors for whom, indirectly, he was acting, agreed not to sell any of their personal holdings not assigned to L. Waterbury and Company under the pooling agreement. As a result of Keene's activities and the subsequent financial statements of the Company, the market price of the common stock was forced up from \$73 a share in March, 1891, about the time the pool began its life, to \$142 a

¹ For example, certificate for 23,878 shares of the National Cordage Company's common stock, issued to the Elizabethport Cordage Company, February 24, 1891, was reassigned to L. Waterbury and Company on the same day, under the agreement. *Balch v. National Cordage Company*. Testimony before Commissioner C. N. Williams, October 17, 1892.

² Mr. F. K. Sturgis, of the present banking firm of Strong, Sturgis and Company, served as the intermediary who attended to the details of the arrangement. Later, at the solicitation of the banking interests, he became President of the reorganized company.

³ It will be remembered that Keene was employed by the Morgan syndicate to market the United States Steel Corporation stock, some ten years later. He was also concerned with a speculative attempt to corner the United States Leather Company's common stock.

share in December, 1892. Early in 1893 the pool was liquidated and the profits divided. During this time the stocks of the Company were distributed among upwards of a thousand investors.

The other object which the Directors of the National Cordage Company hoped to attain through an enlargement of their Company was the actual control over the industry. To accomplish this end they became aggressive in three directions. They sought to control the market on raw hemp, they sought to control the manufacture of cordage-making machinery, and finally they sought to buy up all the competing cordage mills.

The market price of hemp is subject to pronounced and rapid fluctuations. At the time the Company was formed, in 1887, the price of manila hemp was about $7\frac{1}{2}$ cents per pound. It rose rapidly, reaching a maximum of 9 cents in the autumn of the same year. From this maximum it fell to $6\frac{5}{8}$ cents the following summer, and then rose rapidly again until, in the early spring of 1889, it reached 13 cents per pound, — the highest price until the time of the Spanish war. During 1889 and 1890 it fluctuated wildly, frequently varying 3 or 4 cents in the course of a single month. In January, 1891, the price of hemp stood at nine cents from which figure it sank slowly, but steadily, until the time of the failure of the National Company. This brief summary shows the unsteady character of the hemp market, an unsteadiness which invited manipulation on the part of the officers of the National Cordage Company.¹ When the cordage

¹ The following significant paragraph appeared in the *New York Times*, September 3, 1887: —

“Mr. Marsh, the Treasurer of the company, yesterday said that it did not pose as a monopolist, but it had secured the whip hand of its competitors, and it proposed to retain it as long as possible. ‘Something had to be done,’ said he, ‘the quantity of machinery in existence was far in excess of the demand and there was not use for all of it. Somebody had to quit, and we determined not to be the ones if we could help it — and I think we have succeeded. Neither do we propose to pay any one for stopping. We have combined simply to reduce the cost of production to a minimum, and if any of our competitors are able to produce cheaper than we can now we will take a back seat and let them pick out the music. We do not propose to make excessive prices, but expect to make our profit in decreasing the cost of production. One thing we are satisfied of — we have all the raw

consolidation was formed, it acquired control of practically all the "spot" and "nearby" hemp.¹ The competitors had great difficulty in securing their raw material,² and the smaller ones were forced into selling their plants to the "trust." The National Company had practically a corner in hemp during the summer of 1887, and during the autumn and winter of 1888, but when it temporarily withdrew its artificial support in the spring of 1888, the Company lost heavily on the whole transaction. Mr. Marsh, the Treasurer, had anticipated that the heavy purchases of the Company would maintain the price. He failed to see that this would require the Company to absorb the entire supply of hemp and sisal at a level of prices which would so increase the cost of cordage as to curtail the demand and therefore defeat the very end the Company had in view. The first unsuccessful experience was not sufficient, and when the prices of raw hemp and sisal fell to low levels in the autumn of 1888, the Company tried again to artificially fix the price. Again it was unsuccessful and suffered severe losses. While engaged in this manipulation the Company sought to strengthen its position in the raw hemp market by means of agreements with jobbers. The Directors of the Company induced the five firms in Manila, that completely dominated the raw hemp market, to agree not to sell to any American manufacturer except the National Cordage Company. The contract also stipulated that these five concerns "would not sell any house in England manila hemp, unless that house in turn agreed that they would not sell to anyone in this country except at an advance of over half a cent a pound above the price we (National Cordage Com-

material, and I can't really see how other people are going to manufacture Cordage without Sisal or Manila.' When asked how prices had been affected by the combination he replied that some prices would be a little higher in sympathy with the rise in the prices of the raw material, but those prices were abnormally high just now, and he added with a twinkle of satisfaction in his eyes, 'There is no immediate prospect of a tumble in the price of either.'"

¹ In the case of certain small manufacturers who happened to have considerable supplies of raw hemp and rope, the National took them off their hands at inflated prices.

² William W. Fidler testified before the Industrial Commission of the difficulty in securing hemp during these years. XIII R. I. C. 147.

pany) were paying.”¹ The agreement fell to pieces² in about six months; but during the time it lasted, the National Company was at a great advantage over its competitors. Even without any such contract it will be observed that the Company, controlling as it did a large part of the demand for raw hemp, could effectually raise or depress the price by coming forward or withdrawing from the market. It chose all along to raise the price. Finally during 1891, in a constantly falling market, the National Cordage Company purchased very large quantities of hemp for future delivery. These purchases were carried on in the name of “the National Syndicate,” and its accounts were recorded in “a small black book without a name,”³ elsewhere alluded to as “the private ledger.” These speculative transactions were undertaken at the instigation of certain of the Directors, and the losses sustained by the National Cordage Company, through the operations of the National Syndicate were paid back to the Company by the Directors.⁴ There is additional evidence to show that the Company embarked on other speculations in hemp in the early part of 1892 and in the autumn endeavored, unsuccessfully, to obtain a corner in the raw sisal market.⁵ In all these transactions it suffered severe losses, and there is no evidence to show that the Directors who were responsible for the losses reimbursed the treasury of the Com-

¹ J. M. Waterbury, XIII *R. I. C.* 131.

² English jobbers were advised that the contract could not be enforced in common law.

³ Affidavit of Ernest B. Balch, on motion for further examination of books of National Cordage Company. Heard before Chancellor McGill, July 24, 1893. The following very pertinent passage occurs in the Report of the Reorganization Committee, — “The Committee find, on examination of the accounts, that prior to October, 1891, sundry operations in merchandise, of a more or less speculative character, and not likely to occur again, were made, which resulted in loss to the Company.” Reorganization Committee Report, June 15, 1893.

⁴ Contract between National Cordage Company and the National Syndicate, dated October 31, 1891. The return of the losses is directly referred to in an entry in the National Cordage Company’s principal ledger. “Loss assumed by the National Syndicate, in accordance with terms of contract, dated October 31, 1891, and a resolution of the Board of the same date.” This transaction is also alluded to by the Reorganization Committee in their report of June 15, 1893.

⁵ Letter from Dr. A. M. Cole, Akron, Ohio, May 5, 1893.

pany. Briefly then, beginning soon after the incorporation of the Company in 1887 down to its failure in 1893, the Company had sustained only losses in its speculations in raw material.

To establish a virtual monopoly in the manufacture of cordage the National Company entered into contracts and agreements with various cordage machinery makers in the United States and in England. The contracts amounted to an agreement on the part of the National Company to pay the machinery men large sums each year, in return for which they agreed not to sell cordage machinery to the competitors of the Company. The most considerable contract of this kind was executed with one John Good, especially known in the industry as the inventor of the "fast and slow gill chain" machinery for laying hemp. Good had been a machinist in the employ of the Tucker and Carter Company at the time he was working on the invention. Subsequently he started to manufacture his patented machinery, and in addition built a rope mill where it was used. This mill was the largest competitor of the National Cordage Company in New York City.¹ An agreement was entered into between the National and the Good Companies whereby the former agreed to pay the latter a sum of \$200,000 each year, in consideration of which the Good Company agreed not to operate its cordage mill, not to sell any of its patented machinery to any of the National Company's competitors and finally to stop all infringements on its patented machinery.² A similar exclusive agreement was made with other manufacturers of cordage machinery, notably W. C. Boone, Jr., who, with his father and grandfather, had manufactured rope laying machinery for over fifty years.

The most extensive and far reaching undertaking which the officers of the National Cordage Company took upon themselves was the acquisition or control of competitive rope and twine

¹ Balch v. National Cordage Company. Testimony of J. M. Waterbury.

² Good also gave the Cordage Company an option on his entire machinery and cordage business. The option called for the payment of "several millions." Current rumors stated the amount as \$7,000,000. Contract between Good and National Cordage Company dated November 2, 1891.

mills.¹ In pursuit of this end the Company adopted three different courses. After paying for the ten mills acquired before the autumn of 1890 with the proceeds of the preferred stock issue, the Company had not enough money in its treasury to purchase numerous other mills outright. At first the Directors followed the plan of buying the equity in mills, giving to the sellers a mortgage for a large part of the purchase price.² The second method of acquisition was by means of a finance company. During 1891, the National Cordage Company acquired many mills of varying capacities. Eight³ of these were taken over by the Security Corporation at high valuations.⁴ This Company acquired the cash to pay for these mills through the issue of \$6,000,000 of bonds, and then leased them to the National Cordage Company in consideration of an annual rental of \$360,000, and an annual sinking fund payment of \$225,000. The National Cordage Company guaranteed the payment of the interest and the principle of these bonds. The rental took

¹ President Waterbury used to call these expenditures "buying competition." One mill, in Pennsylvania, was prepared for the purpose, with wooden painted shafting and nicely painted, but useless machinery. It might have cost \$5,000 to prepare the hoax; the officers of the National Cordage Company paid \$180,000 for it. (Authority of conversation with an old member of the National Cordage Company).

² Testimony of J. M. Waterbury, XIII R. I. C. 130. Also stated by Secretary Marsh, 53 *Chron.* 325. Clearly shown, also, in the revelations at time of failure, in 1893.

³ Boston, Standard, New Bedford, Laurence, Middletown, Chicago, Ohio, and American (Field). Reorganization Circular No. 2, November 20, 1893. First public announcement of this finance corporation, 53 *Chron.* 713.

⁴ There seems little doubt but that these "Security mills" were little more than "cats tails," as Forbes expressed the Burlington branches built for the purpose of being bought up. The Standard and Boston mills had been established by a prominent Boston manufacturer. Some time before they were acquired by the Security Corporation, they were united under one corporation with a capitalization of \$1,500,000. The Directors of the National paid (judging from estimates of men connected with the two companies at the time) two or three times what the mills were worth at a liberal valuation. Part of the purchase money was in the common stock of the National Cordage Company. Whether this common stock was acquired through the Keene "pool" or from the cordage interests who originally received it, does not seem clear from the evidence at hand. Altogether the equity of these security corporation mills was estimated by the Receivers of the Company, less than two years later, at \$163,447, the mere value of machinery, as second hand equipment. The cost of these properties had been over four million dollars. (Summary of Receivers' valuation in 57 *Chron.* 764.)

care of the interest, and the sinking fund would retire them at maturity. In this way the National secured the nominal ownership and actual control of the mills, without issuing its own securities.¹ Yet, relieved of its form, the existence of the Security Corporation involved nothing more than a device whereby the National Cordage Company could issue bonds without disobeying its contract with its own preferred stockholders which provided that the Company should incur no bonded liability.² It is indeed surprising that the preferred stockholders and the bankers who offered the preferred stock to the public did not attempt to prevent this method of financing. Some of the preferred stockholders actually did object to the plan on the ground that it impaired the strength of their security.³ The third method of acquiring control of the mills was through price agreements and stock ownership. The former device was pursued with the John Good Company's cordage mill in New York, as previously stated, and with Fitler and Company in Philadelphia.⁴ In the cases of corporations not amenable

¹ Further particulars of this financing were something as follows: The Security Corporation was organized under New Jersey laws, for the express purpose of taking title to the additional smaller mills. It leased these mills to the National Cordage Company for a term of twenty years, from November 1, 1891. The stock was held in the treasury of the National Company, and by its officials. For the payment of the mills, the Security Company issued \$6,000,000 six per cent First Consolidated Mortgage Gold bonds, due November 1, 1911, secured by mortgage to the Manhattan Trust Company covering the mills and the benefits of the lease. These bonds were guaranteed principle and interest by the National Cordage Company. Of the six million dollars of bonds, \$1,790,000 were reserved to retire prior liens, and the remainder \$4,210,000 were listed on the New York Stock Exchange. (See 54 *Chron.* 643.) An attempt was made through one B. L. Smyth and Company to advertise and sell these bonds to the public. Few of them, however, got out into the hands of the public. Nearly all were carried by the cordage men, on a twenty-five per cent margin, with New York bankers.

² "The creation of any bonded debt, except with the consent of holders of record of at least eighty per cent of the preferred stock is prohibited by by-law." Listing Application, New York Stock Exchange; Summary in 52 *Chron.* 279, February 14, 1891.

³ "As I understand the matter, the Security Company's bonds have added to the liabilities of the National something like \$6,000,000 in addition to its fifteen millions of stock." Balch v. National Cordage Company. Testimony of E. B. Balch, September 26, 1892.

⁴ A trade agreement was probably consummated with Fitler and Company, of Philadelphia, who operated a 600 spindle mill, of modern construction. Such an

to such trade agreements, the men in control of the National Cordage Company sought to acquire a controlling stock interest. Large blocks of stock of the Plymouth Cordage Company were acquired in this way.¹ By these various means² the National Company increased its control of the cordage production from forty per cent of the country's output in October, 1890, to eighty per cent by December, 1891. Through agreements with rival manufacturers, its actual control amounted, in January, 1892, to ninety per cent of the output³ of all the rope and cordage mills of the country.⁴

agreement is asserted in 54 *Chron.* 34, January 2, 1892, and in Mr. J. G. Taylor's testimony, although denied by William W. Fittler. XIII *R. I. C.* 147, 163. The two companies worked in harmony with each other from the first. All evidence, other than that noted above, indicates that at least a gentlemen's agreement existed between the two companies.

¹ The Cordage Directors, in their own interest and in the interest of the Company, had secured almost a majority. This was carried for them by a Boston banker on a twenty-five per cent margin. A large part of the Plymouth stock had been acquired through the estates owning the New Bedford Cordage Company when the latter was bought. It was deemed very important to secure the control of the Plymouth, as Waterbury understood from Drexel, Morgan & Company that they would back the consolidation in that event.

² Those concerns it could not control The National Cordage Company sought to ruin. One example illustrates their method. There was at that time a successful cordage jobbing and manufacturing concern by the name of Travers Brothers Company. It also conducted a hammock manufactory on Fifty-Second St., New York City. When the officers of the National found it impossible to buy the Travers business, they established a hammock factory one block away and sought to induce the Travers employees to take work in the new establishment. They also started the manufacture of cotton twine specialties in direct competition with similar products made by the Travers Brothers.

³ These estimates are based on the assumption that the mills of the country had altogether a capacity of 10,000 spindles.

NATIONAL CORDAGE COMPANY

	Spindles	
Acquired in 1887	2,800	
Acquired before Oct. 1890	1,136	
Acquired between Oct. 1890 and Dec. 1892	4,050	
Number directly controlled		7,986
Controlled through agreements (approx.)		<u>1,000</u>
Approximate control		8,986

This information was obtained from the *Commercial and Financial Chronicle*, quoting the *New York World*, 54 *Chron.* 34, January 2, 1892. Other evidence obtainable by the present writer indicates the essential correctness of these estimates.

⁴ In September, 1891, the Secretary of the National Cordage Company made

At first, the financial condition of the National Cordage Company seemed to foretell unusual success. In the statement for the business of the first year of the consolidated Company, ending October 31, 1891, the report showed a book surplus of over \$3,000,000, and a profit on operations for the year amounting to \$1,406,313.45. Out of this, eight per cent was paid on the \$5,000,000 of preferred stock, and nine per cent on the \$10,000,000 of common stock. In the meantime the stock pool under the able management of Keene had secured a wide market for the stock of the Company. It became the leading industrial security dealt in on the New York Stock Exchange.

Some time during the autumn of 1892, a prominent member of the New York Stock Exchange said to President Waterbury,¹ "Your stock is selling too high," meaning that, for speculative purposes, it would be better to have the stock selling at \$70 a share rather than \$140, even though the capitalization had to be doubled. This was especially important as the Keene pool was about to be liquidated and a new pool formed. It was essential for the success of the second pool that the prices of the stock should be well maintained. Accordingly President Waterbury presented the idea to the Board of Directors, who decided to issue, in January, 1893, a one hundred per cent stock dividend. The book value of the subsidiary plants was marked up to correspond with the inflation of the capital assets. The common stock was increased from \$10,000,000 to \$20,000,000. At the time, the Directors stated that the new issue was to be given stockholders "to represent about \$11,000,000 of assets acquired by the Company since its formation, and which it is the policy of the Company to hold intact." Simultaneously the Company stated it would be its policy "at the end of the first fiscal quarter after the distribution of the new stock," to declare dividends equivalent to ten per cent on the preferred and seven per cent on the new common stocks. Following this state-

the following statement, "The National Cordage Company is thus nearing the goal that it originally set out to reach, namely the acquisition of all the mills in the country." 53 *Chron.* 325, September 5, 1891.

¹ As the man is now prominent, the name is withheld, at the request of Mr. J. M. Waterbury.

ment came the publication of the second annual income account for the year ending October 31, 1892, showing a net profit of \$2,710,749, out of which \$1,367,063 was carried to surplus after the payment of the full dividends on both classes of stock.¹

The maximum influence of the National Cordage Company was probably attained in the spring of 1892. At that time its position was dominant, in the market both for raw hemp and manufactured cordage. Nothing had occurred to undermine this position. But in the summer and autumn of 1892 the props began to slip. The Good patents for the "fast and slow gill chains," upon the basis of which Good had entered into his monopolistic agreement with the National Cordage Company, were decided not original by the courts, another manufacturer having brought to light an English patent of previous date. Accordingly in May, 1892, the National Company broke off² its contract with Good and the latter established a new corporation, backed by men closely allied with the First National Bank in Brooklyn. On October 31, 1892, W. C. Boone, Jr., the other prominent manufacturer of rope laying machinery, severed his exclusive contract with the National Cordage Company. Other manufacturers of machinery with whom the Company had an understanding or agreement followed suit.

The weakest point of the combination was its inability to control new competition. As rapidly as the officials of the Company would "buy up" the competing mills, the old owners either in their own name or as representatives of others, would start to build new mills. This process is admirably illustrated by the experience of the National Cordage Company in the Ohio field. The details are worth recording as indicating the inherent difficulty of acquiring a monopoly of production in an industry where economic conditions favor free competition. In the middle of 1891 the National Cordage Company acquired the Miamisburg Binder Twine and Cordage Company of Miamis-

¹ 56 *Chron.* 247.

² Good tried to make out that the cancellation of the agreement was due to him. (Interview, *New York World*, April 27, 1892.)

burg, Ohio, at the fictitious valuation of \$185,000.¹ The Miamisburg Company had been selling binder twine to an agricultural implement firm by the name of Hoover and Gamble. In November, 1891, Hoover and Gamble organized the Miamisburg Cordage Company to manufacture binder twine, and engaged the mill superintendent of the old Miamisburg Binder Twine and Cordage Company. Early in 1892 the National Cordage Company, through a subsidiary, acquired the second Miamisburg Company from the Hoover and Gamble interests for \$130,000. This was equally exorbitant. In May, 1892, some of the old stockholders of the two companies organized the Miamisburg Twine and Cordage Company, and with the proceeds secured from the sales of their stocks to the National Cordage Company built a new mill with which they began to compete with the National Cordage Company in the binder twine branch of the industry. At the same time the Hoover and Gamble interests added the manufacture of rope and cordage machinery to their harvesting implement business, prompted by the difficulty independent twine manufacturers were having in obtaining equipment. To attend to this part of their business they employed the two executive officers of another cordage mill previously acquired by the National. At the same time the Hoover and Gamble interests formed the Northwestern Cordage Company, which built a larger binder twine mill in St. Paul. This experience in Miamisburg was by no means exceptional. The purchase of the Sewall and Day mill in Boston for \$800,000 merely stimulated the formation of the Ludlow Cordage Company, by several of its large stockholders. The purchase of the Suffolk Cordage Company merely prompted its President to build a mill in Newburyport, ostensibly for his son. Agreements not to engage in the cordage business were broken by the simplest subterfuges, so that instead of acquiring control of competitors the National Cordage Company found that its policy actually resulted in stimulating competition. By the middle of November, 1892 at least ten new cordage

¹ Property estimated by one local correspondent, May 10, 1893, at \$25,000. Letter of Chas. E. Kinder, VI *Cordage Trade Journal*, 260.

mills in as many different localities, had been finished or were being built.¹

In the winter of 1892 and spring of 1893, in the face of increasing competition, the National Cordage Company manufactured very large quantities of binder twine and something more than the normal production of rope.² In April, 1893, the Company was stocked with over fifty million pounds of binder twine and rope, representing an actual cost of between \$5,000,000 and \$6,000,000. Against this heavy item of quick assets, the Company had borrowed upwards of \$5,000,000 from New York and New England banks. These loans were in the form of demand loans and short term commercial paper. At this juncture came the Reading receivership, and the acute stage in the free silver controversy. Some of the bankers notified the National Cordage Company that the merchandise loans would not be renewed to the same extent and the note-brokers recommended a contraction in the Company's borrowings.

During the last of April, 1893, business and financial conditions were far from satisfactory. Conditions abroad were unsteady and the failure of the National Bank of Australasia and the doubt concerning the outcome of our own currency legislation caused an uneasy feeling in the London market. Our rates of foreign exchange were very high and gold was steadily exported. Prompted by the rapid depletion in the Treasury's stock of gold, rumors were circulated in the newspapers that Secretary Carlisle contemplated the redemption of treasury notes in silver. These rumors produced such a bad effect that President Cleveland on the evening of April 23, authorized the emphatic denial of their truth. Yet the plight into which the Treasury had fallen through the steady exportation of gold and the equally steady purchase of silver called for immediate

¹ Auburn, N. Y.; Beverly, N. J.; Miamisburg, O.; Ludlow and Newburyport, Mass.; St. Paul, Minn.; and four new mills in Canada.

² The production of the subsidiary mills of the National Cordage Company, both rope and binder twine:—

Year ending October 31, 1890	43,411,725 pounds
1891	74,704,835 "
1892	130,315,156 "
Six months, ending April 30, 1893	80,757,197 "

and drastic action. Secretary Carlisle proposed that the New York banks should lend the Treasury \$50,000,000 in gold. The expectation of some such action caused a severe contraction in mercantile credits during the last days of the month. Call money fluctuated violently between three and forty per cent.

At the close of the Stock Market on Friday, April 28, the National Cordage Company's stocks were strong with the preferred stock at \$103.75 and the common stock at \$61 a share.¹ In the presence of their rapidly maturing mercantile loans and commercial paper, and the unsettled condition of the money market, the Directors at a meeting held on Saturday, April 29, decided to issue \$2,500,000 preferred stock, to the stockholders, at par. They gave as an excuse the seasonal character of the business, and the fact that the Company considered it unwise to depend on "temporary accommodation in the money market."² This move, which might have been conservative and wise if made months before, came at a time when the financial pulse was sensitive to the slightest irregularity. The fact that the Company had issued a stock dividend in January, and that its statements had indicated large earning power and a liberal surplus, served only to accentuate the doubt and uncertainty. Yet the Directors believed that they had gained the confidence of the public and that they could easily secure subscription to the preferred stock, the market price of which was above par. In this assumption they were mistaken, nor had they made adequate provisions to protect their stocks in case the news of the new issue should, as they might have expected, lead to short sales. When the old Keene pool was liquidated in the winter, a new pool had been formed in which certain of the Directors had the most substantial interests. This second pool had

¹ The new stock, after the declaration of the one hundred per cent stock dividend, referred to earlier. *Supra*, p. 23.

² Official statement in the Sunday papers of April 30, 1893. Mr. Waterbury stated that the preferred stock subscription was adopted on the advice of banking interests, consisting of J. H. Wright, of Drexel, Morgan & Co., Brayton Ives, of the Western National Bank and Geo. G. Williams of the Chemical National Bank. "These men thought that the issue could be made in safety. They advocated it warmly." Interview with J. M. Waterbury, *New York Herald*, May 5, 1893.

nothing like the financial strength of the Keene pool. So that when on Monday, May 1, the "bears" fell upon the securities of the National Cordage Company there were no strong banking interests to protect them.¹ The Directors did what they could,² but without much avail. The common stock fell to under \$50 a share and the preferred to less than par. It was clear that, unless the preferred stock could be better supported, the new stock subscription would prove a failure. Accordingly the Directors issued another statement, published in the morning papers of Tuesday, May 2d, intended to reassure the stockholders. It was pointed out, on false grounds as it appeared later, that the Company had upwards of \$4,000,000 in cash working capital and that the surplus of the current year, together with the proceeds of the new preferred stock issue, would bring the amount to \$7,000,000.³ During the day the pressure on the Cordage Company's stocks was distinctly less, but on Wednesday it was again renewed. The common stock fell precipitously from \$50 to \$36 and the preferred from \$98 to \$83. Clearly the new stock issue was a failure; nobody would subscribe at par for a stock possessing a market value of only \$83. And in addition the rapid decline in the Company's securities had already done untold harm to its credit.

On Thursday, May 4, the seriousness of the Company's condition was thoroughly recognized. The officers were powerless to withstand the pressure which confronted them on all sides. The collapse had come suddenly and they were unprepared to meet it.⁴ Before the end of the week upwards of

¹ The raid was probably helped by Keene himself. There were very substantial rumors to the effect that the operator had taken the short side of the market since the dissolution of the first pool. At all events he had ceased to coöperate with President Waterbury in supporting the Cordage Company's securities, owing possibly to the belief that one of the Directors had been false to his contract and had sold some of his own stock outside of the pool.

² J. M. Waterbury told the present writer that he supported the common stock down to fifty dollars a share.

³ *The New York Journal of Finance*, May 2, 1893.

⁴ The President and the Treasurer alone of the officers kept in close touch with the financial side of the Company's affairs; they were the only ones of the Directors who knew of the precarious condition into which the finances of the National Cord-

\$561,000 in notes would mature¹ and subsequent examination of the accounts showed that the Company was carrying less than \$100,000 in cash balances at the banks. Liquidation was renewed in the Company's stocks and neither the Directors nor the managers of their pool offered any support. The common stock opened at \$37 and declined in a few minutes to \$28. It finally reached \$18.75. The preferred stock opened at \$78 and declined to \$65.² Three stock exchange firms collapsed during the day, all attributing their troubles to the inability of Mr. Waterbury to respond to calls for more margin on the National Cordage Company's stocks carried on account of the pool or for him individually.³ One of these firms had been acting directly for the pool, and after its failure 2,200 shares of the National Cordage Company's stock was sold "under the rule."

age Company had fallen. The acute stages were of sudden development. For example, a Director went south on Saturday, April 29, believing everything sound. Telephoned for on Monday, during Wednesday and Thursday he raised \$1,100,000 on his own notes in the hope of tiding over the crisis. In fact all the Directors had indorsed the Company's paper, which shows their faith in its ultimate success.

¹ Bill of Complaint for appointment of Receivers for National Cordage Company, presented to Chancellor McGill, May 4, 1893.

² The extreme fluctuations of the cordage stocks during the week may be seen from the following table (fractions omitted). Quotations of common are for the new stock, after the issue of the one hundred per cent dividend.

	April 29	May 1	May 2	May 3	May 4	May 5
Common	59-57	57-40	52-49	49-35	37-18	22-15
Preferred	102-101	101-99	100-89	98-83	78-65	57-45
Sales in shares						
Common	8,460	39,950	13,900	23,690	101,200	32,250
Preferred	25	1,800	1,000	2,800	4,600	2,000

³ Henry Allen and Company, — the firm who took care of the "pool's" account said: "In the bad breaks in market values yesterday the margins of some important customers were exhausted, but as these customers were not only reputed to be solvent, but very rich men, the firm took care of their accounts, out of its own resources, on pledges from these customers that about \$200,000 in cash would be paid back before a quarter past ten o'clock this morning. These promises were not kept." A member of the firm later said "among the customers who had failed to keep their promises was James M. Waterbury, President of the National Cordage Company." (*New York World*, May 5, 1893.)

Schuyler Walden, the second firm that failed, said (*New York Sun*), "I had n't the faintest idea that trouble was at hand. Mr. Waterbury had been very kind to me. This has come like a thunderclap. The banks began calling for additional margin on Cordage, and I naturally looked to Mr. Waterbury. I learned this morning, that he would n't respond, and I had to go under."

These events on the Stock Exchange made the condition of the Company even more precarious and late in the afternoon the Directors of the Company voted to authorize President Waterbury to prepare a Bill of Complaint praying for the appointment of Receivers. At half past ten in the evening Mr. Waterbury appeared at the house of Chancellor McGill at Jersey City and confessed default to a demand note of \$50,000 presented by the National Park Bank. Receivers were appointed late in the night.¹ “Cordage has collapsed like a bursted meteor.”²

¹ Edward F. C. Young, President of the First National Bank of Jersey City, and G. Weaver Loper, appointed Receivers. The latter was Treasurer of the National Cordage Company.

² Editorial in *Commercial and Financial Chronicle*, May 6, 1893, 56 *Chron.* 728.

CHAPTER II

THE REORGANIZATIONS OF THE CORDAGE CONSOLIDATIONS

Effect of the failure of the National Cordage Co., 31; first reorganization plan, 33; modified plan, 36; organization of United States Cordage Company, 38; failure of United States Cordage Company, 43; plans of reorganization, 43; the Standard Rope and Twine Company, 45; the reorganization of the Standard Rope and Twine Company, — The Standard Cordage Company, 51; fundamental cause of disaster of the Cordage Consolidation, 53.

CHRONOLOGICAL SUMMARY

- 1893. Reorganization of the National Cordage Company.
- 1894. United States Cordage Company begins business.
- 1895. Failure of United States Cordage Company.
- 1896. Business assumed by Standard Rope and Twine Company.
- 1905. Failure and reorganization of Standard Rope and Twine Company.
- 1912. Liquidation of Standard Cordage Company.

THE failure of the "cordage trust" dealt a severe blow to business confidence. Coming as the failure did, directly after the Reading receivership, when the banking community was greatly disturbed over the heavy floating debt of the Northern Pacific Railroad, and worst of all, when the whole country was in the throes of the free silver controversy, the cordage "scandal" was thrown into clear relief as a glaring example of unsound "trust" finance. Charles R. Flint testified that it "discredited almost every industrial then existing."¹ The Company had declared a hundred per cent stock dividend late in January, and gone into the hands of receivers early in May. No financial methods quite like these had been known before, except perhaps the payment of the dividend on the preferred income bonds of the Philadelphia and Reading Railroad, on the eve of the receivership. But in the case of the Cordage Company the

¹ XIII R. I. C. 91.

financial world was dealing with a totally unknown quantity, for the promotion of industrial combinations had but just begun. Every industrial security was tainted by the cordage collapse. Nothing seemed sound, nothing secure. General Electric stock fell from \$84 to \$58 a share during the day following the failure;¹ even conservative railway issues, such as that of the Central of New Jersey, fluctuated from three to five points.

The failure of the Cordage Company was all the more noteworthy, because it was the first disaster to befall a large industrial consolidation. During the later eighties and the early nineties occurred the first small wave of industrial promotions. Although small when compared with the fever of promotion a decade later, it had attracted wide attention throughout the country. The Sherman Act of 1890 was the climax of this movement, and the Cordage failure the dramatic end. The press throughout the country cited the National Cordage Company as an example of wild promotions, and the iniquitous ways of Wall Street. Even financial circles were stunned. They had had confidence in the Directors of the National Cordage Company, because the men were manufacturers thoroughly familiar with their business. They were, perhaps, the ablest men in the industry. Sound economic principles lay at the basis of the administration of the plants and in the first years of its history, the four mills that went into the original trust were successful. When, however, two executives of the Company became more interested in the market quotation of their stocks than in the wise administration of their cordage mills, the enterprise was changed from a business to a speculation. Extension of control became a mania with the officers, and their ambition stifled their sound business judgment. They dreamed of an absolute monopoly of which they should be masters, and in the fever of conquest they lost the shrewdness of judgment which had enabled them to acquire their first success. As the

¹ So serious, indeed, did the condition appear that President C. A. Coffin of the General Electric Company issued an elaborate statement. (56 *Chron.* 792.)

panic of 1893 approached, they were unprepared to meet it. The well organized business of two years before had changed, through the craze for extension, into an unwieldy and loose composite. The withdrawal of the bankers' credit was merely the occasion, not the cause, of the collapse.

Recognizing the necessity of a quick reorganization of the National Cordage Company's finances a Reorganization Committee¹ was arranged by the banking interests. A report was published under the date of June 15, 1893.² In this report the members of the Reorganization Committee showed a lack of appreciation of the magnitude of the failure. "Their examination into the affairs of the Company led them to believe that the chief impediment to the financial success of this Company has been that of lack of adequate working capital."³ In other words the Committee in their first opinion attributed the failure of the Cordage Company to the exigencies of tightened credit. And in this presumption they were borne out by the report of the Accountants who found current assets equal to \$10,500,000 and the real estate account approximately \$15,000,000 more, making the total assets well over \$25,000,000.⁴ The debt was close to \$12,000,000. It appeared, therefore, as if the Reorganization Committee would have no difficulty in placing the finances of the Company on a secure footing, by merely liquidating the current assets and funding some of the liabilities.⁵ The plan proposed was concerned entirely with a

¹ George C. Magoun of Baring, Magoun and Company, Ernst Thalmann of Ladenburg, Thalmann and Company, Gustav H. Gossler of G. Ainsinck and Company. It was commonly believed that Thalmann did the real work of the reorganization.

² Report actually circulated some time before; summary in 56 *Chron.* 973, June 10, 1893.

³ Reorganization Committee Report, June 15, 1893, p. 1.

⁴ The accountants, Deloitte, Dever, Griffiths and Company, reported, "We find the value of the Real Estate, Plant, Good Will, etc., as recorded on the Books of Account, to be \$14,931,361." (Letter of Deloitte, Dever, Griffiths and Company to Reorganization Committee, 10th June, 1893.) On September 30, 1893, another accountant for the Receivers, Mr. Seaward, valued these same assets as \$2,934,388. (Report of November 20, 1893.)

⁵ The following is a brief summary of the balance sheet as certified to by De-

readjustment of the debt of the Company in such a way as to relieve the tension.¹ The proposition first advanced was simple.² The Company was to create collateral trust, first mortgage six per cent bonds to the amount of \$6,000,000 for which the stockholders were asked to subscribe at eighty-five per cent.³ A cash assessment of \$20 per share was levied on the preferred stock, and \$10 a share on the common stock.⁴ In return for

loitte, Dever, Griffiths and Company on the basis of the National Cordage Company's books. (May 4, 1893):—

ASSETS			
	Pledged as Collateral	Free	Total
Cash		\$72,966	\$72,966
Customers' and agencies' open accounts	\$143,000	679,200	822,200
Sub-company notes	497,475	382,087	879,562
Customers' notes	16,500	126,776	143,276
Miscellaneous contingent items		65,102	65,102
Balance due from note-brokers		138,596	138,596
Inventories, — hemp, sisal, rope, and binder twine	4,896,935	2,292,472	7,189,407
Hemp at agencies and in transit		331,139	331,139
Bonds of controlled companies (mostly Security Corporation)	344,000	82,025	426,025
Assets of individual mills, in excess of their individual liabilities		395,384	395,384
Total quick assets	\$5,897,910	\$4,565,747	\$10,463,657
Book value of plant, good will, etc. (\$337,500 of this, payments account of Security Corporation)			15,268,861
Total nominal assets			\$25,732,518
LIABILITIES			
Acceptances	\$1,209,724		
Collateral loans	5,506,706		
National Cordage Company's single name paper	597,010		
Open accounts and contracts	957,604		
Notes and contingent liabilities of subsidiary mills	3,625,374		
Total quick liabilities	\$11,986,418		
Excess of assets over liabilities	\$13,746,100		

In addition one should remember that there was a contingent liability of \$6,000,000 on account of guarantee of Security Corporation's bonds. And it afterward developed that there were underlying purchase money mortgages on some of the mills amounting to \$1,385,000.

¹ The Reorganization Committee desired to achieve the following four purposes:

1. To fund a part of floating debt.
2. To induce stockholders to provide new working capital.
3. Creation of new preferred stock.
4. Acquisition of additional properties.

² Contained in first circular of the Reorganization Committee, June 15, 1893.

³ Underwritten at 80. (56 *Chron.* 1015.) When the stockholders refused to subscribe, the underwriters were relieved of their responsibility. This seems to have been due to the exigencies of the panic of 1893.

⁴ Those of the common stockholders who declined to pay the assessment might surrender fifty per cent of their holdings. (Reorganization Plan, June 15, 1893, article 2.)

these assessments, it was proposed to issue new preferred stock.¹ Had the full amount of cash been contributed by the stockholders, the corporation would have been supplied with \$7,000,000 of new capital. This, with the money realized from the sale of the quick assets, would have put the finances of the Company, it was thought, in good form.

Certain unforeseen circumstances, however, prevented the consummation of this plan. Most general, and perhaps most serious of these, was the continued depression of 1893. The banking community became thoroughly aroused over the monetary and financial situation; and the Receivers of the National Cordage Company were pressed for the immediate payment of the outstanding notes. Unfortunately for some of the creditors, certain of the notes were secured by direct liens on specific quantities of cordage, which the bankers forced on the market; and, in consequence, the price of both hemp and cordage fell rapidly.² Orders were cancelled on account of the cumulative effect of the panic of 1893; creditors failed, so that what were considered perfectly good assets at the beginning of the year yielded but a small percentage of their face value.³ On top of all these circumstances, certain revelations regarding the auditing methods of the Company, tended to aggravate the feeling of uncertainty. The first statement, made soon after the appointment of Receivers, showed only the direct liabilities of the National Cordage Company. In due course of time, notes were presented for payment, uttered by the subsidiary companies, or by the Directors themselves⁴ which the National

¹ To effect this, the preferred issue was to be increased from \$5,000,000 to \$8,000,000.

² Much was made by contemporary competitors of what they called the "bankers' twine," and the disturbance it created in the cordage market. The price, however, did fall to a low figure. Sisal hemp (largely used in binder twine) fell from 6½ cents in January, 1893, to 3½ cents in August, 1893. Of course the price of the twine itself fell correspondingly. J. M. Waterbury, testified before the Industrial Commission "binder twine which was worth, and would have sold, for about \$6,000,000, sold for about \$2,500,000." (XIII R. I. C. 134.)

³ Accounts worth \$1,851,076 were estimated by the Reorganization Committee, November 20, 1893, to be worth only \$600,000.

⁴ Intense feeling, and the most severe criticism were directed against the President and the Treasurer, to whose lax methods and speculative propensities the

Cordage Company had endorsed, but which were not entered on its books. The makers allowed these notes to go to protest, and the liability fell back on the parent Company.¹ These unrecorded liabilities, and other claims not known to the receivers, amounted to over \$1,500,000. To make conditions worse, the Directors having charge of the loan transactions had apparently deceived the bankers. The management had assured the bankers that immense quantities of binder twine had actually been sold and that the loans were against "bills receivable," not against inventoried merchandise the value of which was subject to a fluctuating market. Soon after the failure it developed that many of these so-called sales were merely consignments to the consumer and to the western intermediary. The very large profits, supposed to have been made on binder twine were supposititious profits and should never have been treated as actually earned. The sale of these consignments after the failure, resulted in heavy losses. Furthermore, Mr Seaward, accountant for the Receivers, changed the fixed assets of the Company from \$14,931,360 to \$2,934,388² on the basis of a forced and immediate sale.³

As these unlooked for revelations came to light one after another, uncertainty regarding the true standing of the Company increased. Recognizing that a drastic readjustment would be necessary, the Reorganization Committee published a second circular, in November, 1893. This provided that the secured debt should be paid through the sale of the pledged assets.⁴

collapse was attributed. It should be said, however, that the Directors themselves had had faith in the Company to the very end, and lost practically everything in the collapse. The strain upon them was terrible.

¹ "A large number of debts, upon which the Company was only contingently liable as endorser, and which, therefore, did not appear in the accounts as liabilities, and which were not expected to become liabilities, have become actual liabilities by the failure and default of the principal debtors." Reorganization Committee Circular to Creditors, November 20, 1893. Published in full, 57 *Chron.* 900.

² Reorganization Committee Circular to Creditors, November 20, 1893.

³ "Upon the theory that the mills must be sold separately, at forced sale, upon a given date, without regard to the future use to be made of them." Reorganization Committee Circular to Stockholders, November 20, 1893.

⁴ The secured debt amounted to \$3,495,978, for which was pledged merchandise appraised, September 30, 1893, at \$4,100,489.

It also proposed that the claims of the unsecured creditors¹ should be met by the payment of twenty-five per cent in cash, ten per cent in Trust Liquidation Certificates to be redeemed through the liquidation of the open accounts, and sixty-five per cent in new bonds taken at their par value. The plan was recommended to the creditors through a "Bankers' Committee,"² and by the end of the year nearly all of them had assented.³

The new plan, reduced to its simplest terms, provided (a) For the formation of a new Company, to be called the United States Cordage Company, which should take over the assets of the National Company by a purchase of its property; (b) For the issue of \$7,500,000, six per cent first mortgage bonds by the new Company, which should be used to pay sixty-five per cent of the unsecured debt,⁴ and to refund \$1,657,000 of underlying liens on the various mill properties. These bonds were secured by a mortgage on the mills and the intangible assets of the Company; (c) For the issue of \$6,000,000 "guaranteed" first preferred stock, to be exchanged, at par, for the old Security Corporation's six per cent mortgage bonds.⁵ Through the cancellation of these bonds, the Security Corporation was in a position to deed its eight mills to the new Company subject only to underlying mortgages of something less than \$1,500,000; (d) For the issue of new second preferred stock, amounting to \$8,000,000. Of this amount, \$5,000,000 represented the preferred stock in the old Company, and \$3,000,000 represented the cash assessments paid on the old stocks; (e) For the issue of about \$875,581

¹ The unsecured debt amounted to \$8,755,814, September 30, 1893. Later about \$500,000 had to be added.

² George G. Williams, President, Chemical National Bank; George S. Coe, President, American Exchange National Bank; W. W. Sherman, President, National Bank of Commerce.

³ December 23, 1893; \$11,300,000 out of \$12,750,000.

⁴ Unsecured debt, September 30, 1893, \$8,755,814; December 30, 1893, \$9,300,000 (approximately). 57 *Chron.* 1083. Add, also, interest to date of settlement. The amount actually issued in the first instance was \$6,076,000 which is sixty-five per cent of \$9,348,000. (Listing Application, New York Stock Exchange, May 1, 1894.)

⁵ Most of these Security Corporation bonds were held by the cordage men and the agreement of virtually all the bondholders was obtained before the announcement of the plan.

of temporary "Trust Liquidation Certificates" which should be redeemed, as rapidly as possible, by the liquidation of the open accounts.

The new capitalization can be seen at a glance from the table which appears on the following page.

The tabular diagram shows that, as far as the issued capitalization is concerned, the new Company was more heavily burdened than the old, — \$41,500,000 for the new over against \$32,657,000 for the old. It would seem, too, that the total charges had been increased from \$850,000 to \$1,450,000. Yet, if we take into consideration the outstanding debt, not funded, as we certainly must do in comparing the liabilities of the two companies, just the opposite result appears. The floating and permanent obligations were actually reduced, — \$39,375,000 for the new, over against \$45,157,000 for the old Company. In a word, the reorganization turned upon the funding of the floating debt. As a result, the financial position of the Company became simpler and stronger. Its weak points lay in the large increase in cumulative charges on the two classes of preferred stocks and in the important fact that the reduction in capitalization and charges was not more drastic.

By the middle of December, 1893, ninety per cent of the floating debt had assented to the plan of readjustment. During the time, ninety-nine per cent of the preferred stock, and ninety-six per cent of the common stock had been deposited under the Reorganization Agreement. The plan was, therefore, declared operative. The assets of the National Cordage Company were bid in at the Receivers' sale, by an attorney for the United States Cordage Company, for the sum of \$5,000,000.¹ On December 26, 1893, the United States Cordage Company was incorporated, and the new organization had actually assumed the management of the business by the beginning of the new year. The officers of the Company were selected from among the members of the Reorganization Committee, the advisory bankers, and the management of the Sewall and Day Mill, one of the later and most successful of the National Company's acquisitions. The

¹ 57 *Chron.* 1083.

NATIONAL CORDAGE COMPANY

UNITED STATES CORDAGE COMPANY

	Under- lying Bonds	Interest Charges	Preferred Stock	Con- tingent Charges	Common Stock	Bonds	Interest Charges	Guaran- teed Stock	Preferred Stock	Con- tingent Charges	Common Stock
Security Corporation Deben- tures	\$6,000,000	\$360,000	....	....	....	....	....	\$6,000,000	....	\$360,000	....
Underlying Mortgages	1,657,000	90,000	....	....	....	\$7,500,000	\$450,000	....	....	....	....
Preferred Stock .....	....	....	\$5,000,000	\$400,000	....	....	....	....	\$8,000,000	640,000	....
Common Stock .....	....	....	....	....	\$20,000,000	....	....	....	....	....	\$20,000,000
Totals	\$7,657,000	\$450,000	\$5,000,000	\$400,000	\$20,000,000	\$7,500,000	\$450,000	\$6,000,000	\$8,000,000	\$1,000,000	\$20,000,000

Floating Debt \$12,500,000 \$725,000 \$875,000 \$52,500

SUMMARY

Securities bearing Interest	\$7,657,000	7,500,000
Liabilities bearing Interest	20,157,000	5,375,000 ¹
Securities bearing Fixed and Contingent Charges	12,657,000	31,500,000
Total Securities	32,657,000	41,500,000
Total Liabilities	45,157,000	39,375,000 ¹
Fixed Charges	450,000	450,000
Current and Fixed Interest Charges	1,175,000	352,500 ¹
Fixed Current and Contingent Charges	1,575,000	1,352,500 ¹
Fixed and Contingent Charges	850,000	1,450,000

¹ Allowing deduction of \$3,000,000 contributed by stockholders.

old officers of the National Cordage Company ceased to have any connection with the new concern. The reorganization involved, therefore, not only a readjustment of the finances of the Company, but also an abrupt change of management and policy.

The United States Cordage Company acquired twenty-two mills.¹ During the first months of the Company's business, the market for cordage was very much depressed, on account of the quantity of twine deposited for collateral against the loans to the old National Company. The bankers who held this twine were anxious to realize upon it at the earliest moment. Subsequently, the tension was relieved through the formation of the Western Twine Company,² which assumed charge of this "Bankers' Twine."³ Late in the year it was announced that the banking connections of the Company had been strengthened. It seemed on the whole, therefore, that the United States Cordage

¹ The following list of mills is entered merely to make the record complete: —

Waterbury Mills, Brooklyn, N.Y.

Wm. Wall's Sons, Brooklyn, N.Y.

Tucker and Carter, Brooklyn, N.Y.

Victoria Cordage Co., Dayton, Ky.

Xenia Twine and Cordage Co., Xenia, Ohio.

J. Rinek's Sons, Easton, Pa.

Miamisburg Cordage Co., Miamisburg, Ohio.

Miamisburg Binder Twine and Cordage Co., Miamisburg, Ohio.

Elizabethport Cordage Co., Elizabethport, N.J.

Hanover Cordage Co., Hanover, Pa.

Donnell Cordage Co., Bath, Maine.

Chelsea (formerly Suffolk), Chelsea, Mass.

Sewall and Day Cordage Co., Allston, Mass.

Boston Cordage Co., Boston, Mass.

Laurence Rope Works, Brooklyn, N.Y.

Standard Cordage Co., Boston, Mass.

Middletown Twine Co., Middletown, Ohio.

American Cordage Co. (Field Cordage Co.), Xenia, Ohio.

New Bedford Cordage Co., New Bedford, Mass.

Ohio Twine and Cordage Co., Xenia, Ohio.

Chicago Cordage Co. (Wm. Deering and Co.), Chicago, Ill.

Galveston Rope and Twine Co., Galveston, Texas.

Application for listing, New York Stock Exchange, May 1, 1894, copy in 58 *Chron.* 820.

² 59 *Chron.* 740.

³ XIII *R. I. C.* 134, 147, 149.

Company would be able to weather the depression following the crisis of 1893, in spite of the inheritance of debt from the old management.

The real condition of the business, however, had not been improved. The severe losses which the old National Company had sustained in its over-purchases of hemp were, to a large extent, passed on to its successor. Nor was there a change for the better in the skill of management shown by the officers of the new organization. During 1894, the Company purchased 85,000,000 pounds of hemp in a rapidly declining market. Its consumption was only 46,800,000 pounds.¹ The Company carried over to 1895, — allowing for stocks received from its predecessor, January 1, 1894, — 28,000,000 pounds of hemp and 24,600,000 pounds of rope and twine, all representing a cost price higher than the current market. In fact, the sales for the year 1894 amounted to less than \$2,500,000,² and the purchases of raw material to over \$3,500,000.³ In order to finance these ill-advised operations, the Company became a heavy borrower, using as collateral for this all its available current assets. To make matters worse, the Company tied up more capital in plants. It bought the Pearson binder twine mill, in Boston, from the McCormick Harvesting Machinery Company, for \$900,000,⁴ of which \$500,000 was paid in cash. This was done in the face of the heavy supplies of binder's twine which the bankers held over the market, and the clearly recognized fact that the United States Cordage Company was not then operating at its full capacity.⁵ At the time it was tying

¹ Investigations by a Bondholders' Protective Committee of which Robert L. Niles was Chairman. Summary will be found in 60 *Chron.* 1106, June 22, 1895.

² \$2,496,389, Bondholders' Protective Committee Circular (60 *Chron.* 1106). The Annual Report had shown sales amounting to \$3,239,703. (1894, U. S. C. Co. Rep.) Summary, 60 *Chron.* 80.

³ \$3,683,120, Bondholders' Protective Committee Circular, 60 *Chron.* 1106. Annual report gave purchases of raw material as \$3,453,173. (1894, U. S. C. Co. Rep.)

⁴ 1894, U. S. C. Co. Rep.

⁵ The plant was really bought from the McCormick interests to exclude them from the binder twine market. Three years before J. M. Waterbury had testified that the Pearson mill was the largest eastern competitor of the National Company

up \$500,000 working capital in the purchase of the Pearson mill, it found itself compelled to borrow \$500,000 to meet the January, 1895, interest on its funded obligations.¹ Nor did the reorganized Company maintain its position in the industry.² In the face of the depressed conditions of trade, new competition arose. The officers of the National Company, displaced by the new management of the Reorganization Committee, started to manufacture cordage under the old firm names.³ The Plymouth and the Fittler Companies, never having been in the consolidation, acquired new vigor after the failure of the National Company. More threatening yet were the conditions in the binder twine trade. The two leading manufacturers of harvesting machinery were the Deering and McCormick Companies. The former had purchased millions of pounds of twine of the old National Company, but after the failure had found it very difficult to secure the fulfilment of its contracts.⁴ On account of this difficulty and from a desire to be quite independent, Wm. Deering & Company commenced to manufacture its own binder twine. By refusing to guarantee its binders when used with other twine, the Deering Company was able to secure an advantage with the farmers over the independent mills. The McCormick interests followed a similar policy so that the United States Cordage Company found its twine market growing narrower and narrower.

in the binder twine business. (*Balch v. National Cordage Company.*) The purchase did not achieve its end, as the McCormick interests established soon afterward a new and thoroughly modern binder twine mill in Chicago.

¹ 59 *Chron.* 740.

² Some of the officers of the new Company seemed to be affected by the same desire to obtain a monopoly of the Cordage business. For example, at one stage it was hoped to effect a combination with the Fittler, Tubbs, Plymouth and Pearson Companies, the four largest producers outside of the United States Cordage Company (see 57 *Chron.* 257).

³ For example, the Waterbury Company under J. M. Waterbury; William Wall's Sons Company under Frank T. Wall; and the Tucker and Carter Cordage Company under a son of John M. Tucker. The Elizabethport became the Whitlock Cordage Company. The Waterbury Company actually offered its stock for public subscription in 1903. 76 *Chron.* 387, 439.

⁴ Several suits were commenced, notably U. S. Circuit Court (Chicago), May 12, 1893. Later discontinued.

Beset by all these difficulties, the United States Cordage Company failed on June 3, 1895, in less than a year and a half after its organization. With the announcement of the Receivership¹ came the announcement of a plan of reorganization involving the creation of a new first mortgage which should be put ahead of the first mortgage bonds of the United States Cordage Company.² As soon as the financial distress of the Company was known, a Protective Committee³ of the bondholders arose. The bonds of the Company had been acquired by bankers, in part payment of the unsecured debt of the old National Cordage Company. As bankers, they were very reluctant to allow a Reorganization Committee to place other bonds ahead of theirs, especially before they had had an opportunity to investigate the conduct of the business. Almost coincident with the bankers' "Bondholders' Protective Committee," another "Committee of Enquiry"⁴ sprang into existence, backed largely by the preferred stockholders. Robert L. Niles, as Chairman of this Committee, solicited subscriptions⁵ from all the security holders, in order to enable the Committee to prosecute a vigorous investigation into all the affairs of the Company. The members of the "Bondholders' Protective Committee" reported a week after they had begun the investigation, that "your committee feel justified in advising you that they are unable to discover

¹ The Receivers were John I. Waterbury, President of Manhattan Trust Company, and William E. Strong, a partner of Frank K. Sturgis, who, by request of the bankers, — who were under heavy advances to the Company, — had become President of the United States Cordage Company. The Receivers were, of course, friendly to the management, and they were appointed in the hopes of effecting a friendly reorganization.

² Announcement and brief summary of plan in 60 *Chron.* 1012, June 8, 1895.

³ Dumont Clarke, American Exchange National Bank; R. M. Galloway, Merchant's National Bank; Ebenezer S. Mason, Bank of New York; Stuyvesant Fish, National Park Bank; Charles A. Vialle, National Bank of the Republic, Boston; George Ripley, Hide and Leather National Bank, Boston. Summary Statement, 60 *Chron.* 1060, June 15, 1895.

⁴ Robert L. Niles, Niles Brothers; Charles E. Orvis, Orvis Brothers and Company; Josiah C. Reiff, Woerishoffer and Company; A. R. Pick, A. R. Pick and Company.

⁵ Fifty cents per \$1,000 bond; four cents per share first preferred; two cents per share second preferred; and one cent per share for the common stocks.

any sufficient ground to justify the proposal that you should exchange your first mortgage bonds for second mortgage income bonds. . . .”¹ Following this announcement, came a new plan of reorganization which differed in certain important respects from that of the Receivers. Both plans, however, were based on a belief that the United States Cordage Company was overburdened with capitalization, and both looked toward the simplification of the finances of the Company, through the extinction of the various classes of preferred stock. Both plans involved an assessment on the stockholders, and both proposed to create a new first mortgage. The two plans differed chiefly in the fact that the Bondholders’ Committee proposed to create only two classes of securities, — first mortgage bonds and common stock; whereas the Receivers proposed to interpose between the two classes, a new issue of income bonds.

The Bondholders’ Protective Committee’s Plan proposed to give each bondholder of the old Company, without assessment, \$600 in new bonds, and \$400 in new stock. All the stocks were to contribute cash, but new bonds were to be issued for the amount of the payment. The first preferred was to be assessed \$15 a share, and would receive \$90 in new common stock; the second preferred \$7.50, and receive \$45 in new common; and the old common stock was to pay an assessment of \$3.75, and receive \$22.50 in new stock. In all the plan called for \$6,250,000 new first mortgage bonds, and \$16,250,000 new stock, all of one class. The bonds were to bear five per cent interest for three years, and six per cent thereafter for the rest of their life.² The Receivers’ plan required the exchange of the old First Mortgage Bonds into new Income Bonds, and the creation of 3,000,000 of new First Mortgage Bonds to be given entirely for the assessments on the stocks. The first preferred stock was assessed \$20, and received \$80 in new common stock; the second preferred, \$10, and received \$40 in new stock; and the old common stock was assessed \$5 a share, and received

¹ Report Bondholders’ Protective Committee. Summary, 60 *Chron.* 1106, June 22, 1895.

² Bondholders’ Protective Committee Plan and Agreement, Circulars. Brief summary in 61 *Chron.* 113.

\$20 in new stock, — all in addition to the mortgage bonds representing the assessments.¹ The details of the two plans are most clearly understood from the table which appears on the next page.

A comparison of the plans shows that on the whole the old bondholders were somewhat less favored in the Receivers' plan than in their own; yet it was obvious that everyone informed recognized that a drastic reduction in the outstanding securities was absolutely necessary.

In the course of the next few weeks, it developed that the Receivers' plan was more acceptable to the great body of security holders.² The majority of bondholders preferred it because they obtained all bonds, rather than part stock, and the first mortgage bonds ahead of them were so few that they believed interest on the new income bonds not imperiled. The stockholders preferred it because the necessary fixed charges, not including the income bond interest, were so small that they thought there was little probability of another reorganization. Also, the only first lien bonds were represented by their own assessments, instead of partly by the refunded bonds of the old United States Cordage Company, as was contemplated in the Bondholders' Protective Committee plan. Whatever the various motives may have been, it became clear, by the end of August, that the Receivers' plan was securing the deposit of most of the securities. The Bondholders' Protective Committee, therefore, withdrew its plan.³ From this time on, all interests worked in harmony for the consummation of the Receivers' plan. A comparison of the capitalization of the old United States Cordage Company and the new Standard Rope and Twine Company, will show the drastic cutting down of capitalization which the execution of this plan involved. All securities were cut at least in half. (See table, page 47.)

On November 8, 1895, the Standard Rope and Twine Company was incorporated under the laws of New Jersey, and in due

¹ Reorganization Committee Circular, June 5, 1895. Brief summary in 60 *Chron.* 1012.

² 61 *Chron.* 70, 153, 198, 241.

³ 61 *Chron.* 328.

RECEIVERS' PLAN

BONDHOLDERS' PROTECTIVE COMMITTEE PLAN

	Old Securities United States Cordage Co.	Cash Assessment	Securities to be given for U. S. Cordage Co. securities on payment of assessment				Cash Assessment	Securities to be given for U. S. Cordage Co. securities on payment of assessment					
			Bonds		Stock (one class)			First Mortgage Bonds		Income Bonds		Stock (one class)	
			Single	Aggregate	Single	Aggregate		Single	Aggregate	Single	Aggregate	Single	Aggregate
Bonds	\$7,500,000 ¹	None	60%	\$4,000,000	40%	\$2,750,000	None	....	....	100%	\$6,750,000 (approx.)	....	....
First Preferred ...	6,000,000	15.	15.	900,000	90	5,400,000	\$20	\$20	\$1,200,000	....	....	80%	\$4,800,000
Second Preferred	8,000,000	7.50	7.50	600,000	45	3,600,000	10	10	800,000	....	....	40%	3,200,000
Common	20,000,000	3-75	3-75	750,000	22.50	4,500,000	5	5	1,000,000	....	....	20%	4,000,000
Totals .....	....	....	....	\$6,250,000	....	\$16,250,000	....	....	\$3,000,000	....	\$6,750,000	....	\$12,000,000

Total Capitalization	\$22,500,000 ²	\$21,750,000 ²
Total Assessment	2,250,000	3,000,000
Net Capitalization	20,250,000	18,750,000
Fixed Charges	\$312,500	\$180,000
Contingent Charges	337,500	337,500
Charges before Stock	312,500	517,500

¹ \$6,543,500 issued.² Not allowing for about \$2,105,500 underlying liens.

UNITED STATES CORDAGE COMPANY

STANDARD ROPE AND TWINE COMPANY

Formed in accordance with Receivers Plan ¹

	Bonds	Interest Charges	Preferred Stock	Con- tingent Charges	Common Stock	Cash Assess- ments	Mortgage Bonds	Interest Charges	Income Bonds	Con- tingent Charges	Common Stock
Underlying Bonds	\$1,205,500	\$70,000	....	....	....	....	\$1,205,500	\$70,000	....	....	....
Mortgage Bonds	6,750,000	400,000	....	....	....	....	....	....	\$6,750,000	\$337,500	....
Banker's Collateral Trust Notes	900,000	50,000	....	....	....	....	....	....	....	....	....
Guaranteed Stock .....	....	....	\$6,000,000	\$360,000	....	\$1,200,000	1,200,000	....	....	....	\$4,800,000
Preferred Stock .....	....	....	8,000,000	640,000	....	800,000	800,000	180,000	....	....	3,200,000
Common Stock .....	....	....	....	....	\$20,000,000	1,000,000	1,000,000	....	....	....	4,000,000
Totals	\$8,855,500	\$520,000	\$14,000,000	\$1,000,000	\$20,000,000	\$3,000,000	\$4,205,500	\$250,000	\$6,750,000	\$337,500	\$12,000,000

SUMMARY

Securities bearing Interest	\$8,855,500	\$4,205,500
Securities bearing Fixed and Contingent Charges .	22,855,500	10,955,500
Total Securities	42,855,500	22,955,500
Fixed Charges	520,000	250,000
Fixed and Contingent Charges	1,520,000	587,500

¹ For details of distribution see preceding table.

course of time took over the best mills of the United States Cordage Company. The reorganization had cut the total capitalization in halves, reduced the necessary fixed charges from over \$500,000 to less than \$200,000 and furnished the Company with \$3,000,000 of new capital. The prospects of success for the Company were the brightest since the failure of the National Cordage Company nearly three years before.

It is not of great profit to follow in detail the uneventful, and on the whole, unfortunate, history of the Standard Rope and Twine Company. The Company took over from the United States Cordage Company only five mills.¹ Of these five, the Company operated only three,—the Sewall and Day mill, just outside of Boston, and the Waterbury and Laurence mills, in Brooklyn, New York. During the first year, the Company suffered from the keen competition of the newer mills, “and the pressure to distribute goods manufactured has been greater than ever before in the trade.”² The Company sustained a

¹ The following facts are stated merely for record. The Receivers of the United States Cordage Company took over, after the failure of the Company, twenty-one mills:—

- | | |
|---------------------------------------|------------------------------------|
| 1. Sewall and Day, Boston. | 11. Victoria, Dayton, Ky. |
| 2. Pearson, Boston. | 12. Hanover, Hanover, Pa. |
| 3. Waterbury, Brooklyn. | 13. Middletown, Middletown, O. |
| 4. Laurence, Brooklyn. | 14. Ohio, Xenia, O. |
| 5. Elizabethport, Elizabethport, N.J. | 15. Miamisburg, Miamisburg, O. |
| 6. Boston, Boston. | 16. Miamisburg (2), Miamisburg, O. |
| 7. Standard, Boston. | 17. Xenia, Xenia, O. |
| 8. Chelsea, Boston. | 18. American, Xenia, O. |
| 9. Wm. Wall's Sons, Brooklyn. | 19. Rinek, Easton, Pa. |
| 10. Tucker and Carter, Brooklyn. | 20. Donnell, Bath, Me. |
| | 21. New Bedford, New Bedford. |

Of these 21 mills, the Receivers of the United States Cordage Company deeded to the Standard Rope and Twine Company the first five. Subsequently, the Standard-Boston Mills were acquired. The Chelsea, Wall, Tucker and Carter, and Victoria Mills,—numbers 8 to 11 inclusive in the above,—were deeded by the Receivers of the United States Cordage Company to the Cannabis Manufacturing Company, all of whose \$200,000 capital stock was held in the treasury of the Standard Rope and Twine Company. The remaining ten mills,—numbers 12 to 21 inclusive,—were sold by the Receivers of the United States Cordage Company, and the proceeds used for paying the expenses of the reorganization; and the balance turned over to the Standard Rope and Twine Company's treasury. Report of Thompson Committee. 1901, S. R. T. Co. Rep. 10.

² 1897, S. R. T. Co. Rep. 3.

deficit of over \$400,000. During the succeeding years of the Company's history the business ran constantly behind, the deficit creeping up with each successive report.¹

Moreover, the Company had not the loyal service of its chief officers. This is illustrated by two significant incidents. The first President, V. P. Travers,² proposed, in 1896, that the Company should take over certain processes controlled by him for forcing oil into rope. With this in view, a contract was entered into which permitted Mr. Travers to spend \$25,000 of the Company's money in perfecting his inventions. As was shown later, "he made engagements involving the Company in expenditure of a much larger amount."³ The processes proved worthless, and the Company lost heavily, both through the cost of useless machinery, and the waste of the goods manufactured. The President refused to bear the expense of the experiment, as his contract stipulated, and he resigned his position. Later he sued the Company, and the Directors compromised for \$10,000. The whole affair cost the Company \$126,402.93.⁴

1897	403,931 deficit.	1901	630,994 deficit.
1898	233,563 profit.	1902	98,088 deficit.
1899	75,551 profit.	1903	151,628 deficit.
1900	2,042 profit.	1904	9,167 deficit.

This unfortunate exhibit was not due to the conditions in the industry. During the last two years, for example, the Plymouth Cordage Company had been able to pay eight per cent dividends on \$1,500,000 of capital stock, and to increase its surplus and reserve each year by upwards of \$100,000.

² The bankers were in control of the Standard, and they wanted a "practical" cordage man for President, whom they could control. Mr. Grimwood, Secretary of the Fiber Club, was offered the position, but he declined, believing that he would not be allowed freedom. Vincent P. Travers, a competitor in the firm of Travers Brothers, established in 1871, was selected. Mr. Travers did poorly. Besides burdening the Standard Rope and Twine Company by his oiling machinery, he was accused, — with a good deal of evidence behind the accusation, — of discriminating against the Standard in favor of his own concern, turning the less profitable contracts toward the former and the more profitable ones toward the latter. After he was retired from the Standard, he became Treasurer of Travers Brothers. This concern failed. He became later an employee in a building in New York City.

³ 1900, S. R. T. Co. Rep. 6.

⁴ 1902, S. R. T. Co. Rep. 5.

In September, 1898, certain officers of the Standard Rope and Twine Company formed a selling agency for the purpose of handling the Company's product. The Union Selling Company, as this latter was called,¹ entered into a contract with the officers of the Standard Rope and Twine Company, by which the latter paid $7\frac{1}{2}$ per cent commission on all sales. The contract was undoubtedly burdensome,² and pressure was brought to bear, in 1900, to ameliorate its conditions. Subsequently, the terms were changed so that the Cordage Company had to pay its selling agent \$225,000 per annum, whether any sales were made or not, and $\frac{1}{2}$ cent on sales in excess of 45,000,000 pounds.³ This contract was even more onerous.

Competition of the keenest character confronted the Company on every side. The Plymouth Cordage Company, the best managed concern in the trade, with a capital of \$1,500,000, was doing a larger business than the Standard with a nominal capital of \$20,000,000. The rejuvenated Waterbury, Tucker and Carter, Wall, and Whitlock Companies were increasing their sales at the expense of the Standard. New, well organized mills were springing up all over the country. The McCormick and Deering harvesting machinery companies, too, had all but driven the Standard Company out of the binder twine business. Under these conditions, the Standard Rope and Twine

¹ The President of the Selling Company was Thomas Russell, later President of the Standard Rope and Twine Company. The head of the sales department of the Standard Rope and Twine Company, — Charles E. Borden, became Vice-President of the Selling Company. The stock, \$500,000, was secured by those close to the management of the Cordage Company. For example, William Barbour, one of the Reorganization Committee of the United States Cordage Company and a Director of the Standard, was a large stockholder in the Union Selling Company. (Montgomery Circular, February 24, 1904.)

² This is clearly shown from the following figures, taken from a Stockholders' Committee Report.

	1897	1898	1899	1900
Sales	\$3,542,353	\$3,100,118	\$4,999,275	\$4,255,342
Expenses of sales by Company itself	112,711	158,385		
Expenses of sales by Union Selling Company .			343,157	294,168

Thompson Committee Report. 1901, S. R. T. Co. Rep. 16.

"Under all circumstances the Committee is of the opinion that it would be a judicious policy not to renew this contract." *Ibid.*

³ Montgomery Circular, February 24, 1904.

Company sank deeper and deeper into the quicksands. In March, 1904, the price of the first mortgage bonds declined to thirty-nine per cent and the income bonds had a nominal market of three per cent.¹ The stock was quoted at 75 cents a share.²

Even in this condition, the officers of the Company continued the struggle. They paid the August, 1904, coupon on the first mortgage bonds, and "made a Macedonian cry to their security holders 'Come over and help us.'"³ During 1904, the officers tried at various times to hold a stockholders' meeting with a quorum present. Their continued failure shows the feeling of hopelessness in the minds of the stockholders.⁴ Finally, on January 25, 1905, Receivers were appointed by the New Jersey Court, on petition of the Vice-President of the Company.

During the succeeding months, various committees were working on a Reorganization agreement. These efforts finally bore fruits in a plan which involved the sale of the assets of the Company to the Standard Cordage Company, and the absolute extinction of the stock of the Rope and Twine Company. This Reorganization plan, presently adopted, reduced the existing securities, from over \$21,000,000 to a little over \$8,000,000, and at the same time provided for over \$1,000,000 of new capital. The plan in detail required that the old first mortgage bondholders should surrender their bonds and pay an assessment

¹ It should be remembered that the first mortgage bonds represented actual cash contributed in the last reorganization, and the income bonds represented the funded debt of the bankers at the time of the National Cordage Company's reorganization. Briefly, a banker who took an old first mortgage bond of the United States Cordage Company in liquidation of his notes of the National Company could now sell his \$1,000 bond, if he found a customer, for \$30.

² It is an interesting coincidence that at the very time the Standard Rope and Twine Company was struggling to maintain a position, the old John Good Company's property, — both the machine works and the cordage mill, — were sold at a Sheriff's sale to creditors.

³ Quotation from *Cordage Trade Journal*, October 6, 1904. XXIX C. T. J. 104.

⁴ "Extraordinary efforts have been made to secure the attendance of the stockholders, either in person or by proxy, at the Annual Meetings; three adjourned meetings being called last year, at none of which were there enough votes represented to enable the meeting to be held." 1904, S. R. T. Co. Rep. 5.

of \$262.50¹ for each \$1,000 bond. In return, they received \$850 in new first mortgage bonds, \$775 in new income bonds, and \$175 in new stock. The old income bondholders surrendered their bonds, and paid an assessment of \$52.50 for each \$1,000 bond. They received \$70 in new first mortgage bonds, \$35 in new adjustment bonds, and \$335 in new stock.² The old stockholders received nothing.³ The commendable features of the

¹ It was not called an assessment. The phraseology of the plan gave the old bondholders fifty per cent of their holdings in new first mortgage bonds, and sixty per cent in new incomes, "provided and upon condition that the First Mortgage Bondholders *subscribe* at 75 to new first mortgage bonds to the extent of thirty-five per cent of their holdings." For the above subscriptions they would receive "a fifty per cent subscription bonus in adjustment bonds, and a fifty per cent subscription bonus in stock." Reorganization Plan, December 12, 1905, p. 8. A very good digest of the whole plan is given in *The Cordage Trade Journal*, December 21, 1905. XXXI C. T. J. 221.

² The old income bondholders were offered thirty per cent in new stock if they would subscribe to the extent of seven per cent of their holdings to new first mortgage bonds at 75. For this, they were offered "bonuses" of fifty per cent of their subscription, in new income bonds, and fifty per cent in new stock. Reorganization Plan, December 12, 1905, pp. 8-9.

³ In a polite circular, under date of October 30, 1905, the Income Bondholders and Stockholders Protective Committee informed the stockholders that, "notwithstanding their earnest, persistent and long continued efforts, they have been unable to obtain any recognition of the stock in any plan for the reorganization of your Company." The stockholders had no committee of their own.

It should be remembered that a very large part of this stock was represented by the old preferred stock of the National Cordage Company, after numerous assessments. For purposes of illustration consider a private investor having bought ten shares of the National Cordage Company's preferred stock of Belmont and Company in 1890. In the reorganization of the National Company, he was compelled to buy twenty per cent more of the preferred stock, all of his holdings becoming second preferred. He would, therefore, come into possession of twelve shares of the United States Cordage Company's second preferred stock, — cost \$1,200. He received no dividends. In the reorganization of the United States Cordage Company, the second preferred stock was assessed \$10 a share and received \$10 a share of the First Mortgage Bonds of the Standard Rope and Twine Company and forty per cent of stock. The investor in question would be assessed \$120, — making his actual investment \$1,320. He received \$120 in the Standard Rope and Twine Bonds and \$480 in stock. In the reorganization of the latter Company the stock was extinguished. The bonds were worth thirty-nine per cent and, if retained, would be subject to an assessment. The \$120 in bonds represented an actual value to the investor of \$46.80. Meanwhile, he would have lost the interest on the investment for upwards of twelve years. Taking this at the rate of five per cent the indirect loss amounted to \$780. A man who invested

plan were, of course, the drastic reduction in outstanding securities, and the provisions for new capital.¹ The surprising feature is that the holders of the bonds were willing to come forward and add more capital to an enterprise that had met with such repeated failure. (See table on next page.)

The Standard Cordage Company, which gathered together the fragments of the Standard Rope and Twine Company, proved no more successful than its predecessors.² It led a precarious existence, operating only the old Sewall and Day plant, near Boston, and generally conducting its business at a loss. The net deficit had accumulated to over \$600,000³ by 1910. In 1912, the Receivers of the Company ceased the well-nigh hopeless struggle, disposed of the few remaining assets of the Company and entirely liquidated its affairs.

It is not difficult to summarize the unfortunate, but somewhat remarkable history of the cordage consolidation. The manufacture of rope and twine always has been, and still is, profitable. The industry is competitive and open to all. The raw material is bought in an open competitive market and the finished product is sold under conditions of keen competition. Under these circumstances a consolidation of manufacturing companies could be successful only if it had at its command distinctly superior business ability. In this asset, the single necessary condition for success, the National Cordage Company and its reorganized successors were wanting. Although many of the Directors of the National Cordage Company had been able manufacturers when their businesses were restricted to small compass, they failed to understand the responsibilities of a

\$1,000 in the first and underlying security of the National Cordage Company would, in 1905, have increased his actual investment to \$1,320, and including interest to \$2,100. For this he would have stock that was worthless and bonds having a market value of \$46.80 and subject to a further assessment.

¹ The reorganization plan was subjected to a searching editorial criticism in the *Cordage Trade Journal* of December 21, 1905, in which it was contended that the plan was not sufficiently drastic. XXXI *C. T. J.* 230.

² In January, 1912, its first mortgage bonds, valued by the Reorganization Committee at 75, were sold for \$22 $\frac{7}{8}$ (auction sale, January 12). Income bonds were freely offered at \$3 $\frac{1}{2}$, and its stock had no purchaser at a dollar a share.

³ 1910, S. C. Co. Rep. 1.

STANDARD CORDAGE COMPANY

STANDARD ROPE AND TWINE COMPANY

	First Mortgage Bonds	Fixed Charges	Income Bonds	Con- tingent Charges	Stock	Assessment			First Mortgage Bonds			Fixed Charges			Income Bonds			Con- tingent Charges			Stock		
						Indi- vidual	Aggregate	Old Bond- holder															
Bonds, First Mort- gage	\$2,740,000	\$164,400	....	....	....	.261%	\$710,250	\$850	\$2,329,000	....	....	\$116,450	....	....	\$775	\$2,123,500	\$106,175	....	....	....	\$479,500	....	....
Bonds, Income ...	....	....	\$6,805,330	\$340,266	....	.51%	357,280	70	476,373	....	....	23,819	....	....	35	238,187	11,000	....	....	....	2,279,786	....	....
Stock .....	....	....	....	....	\$11,965,860	....	....	....	None	....	....	....	....	....	....	None	....	....	....	....	None	....	....
Treasury of New Co.	....	....	....	....	....	....	....	....	627	....	....	....	....	....	....	138,313	....	....	....	....	40,714	....	....
Totals	\$2,740,000	\$164,400	\$6,805,330	\$340,266	\$11,965,860	....	\$1,076,530	....	\$2,866,000	....	....	\$140,269	....	....	....	\$2,500,000	\$118,084	....	....	....	\$2,800,000	....	....

SUMMARY

Securities bearing Interest	\$2,740,000	\$2,865,373
Securities bearing Fixed and Contingent Charges ..	9,545,330	5,167,060
Total Securities	21,506,100	7,926,345
Fixed Charges	164,400	140,269
Fixed and Contingent Charges	594,666	258,353

large organization. The President and "the manufacturing Director" devoted their attention to aspects of the Company's affairs for which they were untrained, — speculation in hemp and the securities of their Company. The President of the United States Cordage Company was a banker, placed in the position by the group of bankers who had made heavy loans to the Company. He was confessedly unfamiliar with the detail of a manufacturing business and with the cordage industry in particular. Overloaded with indebtedness inherited from the mismanagement of the previous years this organization failed in a year. The President of the Standard Rope and Twine Company divided his attention between the Company and another firm engaged in the same kind of business. Proving unsuccessful, he was succeeded by another man more interested in obtaining a profit for the Selling Agency, in which he was interested, than in the efficient administration of the Standard Rope and Twine Company. And the successors in the management of the Standard Cordage Company, were too heavily handicapped by a burden of debt and inefficiently equipped mills to make a successful struggle in a competitive field.

SUPPLEMENT
TO THE
HISTORY OF THE NATIONAL
CORDAGE COMPANY

BY
A. S. DEWING

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EARLY HISTORY OF THE CORDAGE INDUSTRY

BY BENJ. C. CLARK

*Reprinted from "The Memorial Centennial of 100 years of American Commerce
by 100 Americans," 1895.*

[5]¹ The first agreement between the cordage manufacturers was entered into February 23, 1861, the object being to correct certain abuses which had prevailed among firms engaged in the trade. Weekly meetings were held by the manufacturers in their respective cities, and opportunity afforded for any complaints or any suggestion about the condition of trade and the regulation of prices. The object, as stated by one of the Eastern manufacturers, was "to look each other in the face and maintain prices." Various amendments were from time to time made in this agreement of 1861, but in July, 1874, a careful revision was made and the manufacturers pledged themselves, "as men of honor and integrity," to the true and faithful observance of the rules. A stronger agreement was made in April, 1875; but complaints of underselling, answered with various excuses, were frequent, and, there being no pecuniary penalty, the ingenuity of the manufacturers finally hit upon what was known as the "pool system." This went into operation January 1, 1878. The business was divided among the manufacturers in proportions which seemed just, and when the business of one concern exceeded during any month the proportion which its share bore to the total business done, according to the returns, it would pay in so much per pound on the excess. In case a concern fell short it would be a recipient to that extent.

It was supposed that this arrangement would act as a preventive to the cutting of prices, and it undoubtedly had that effect to some extent. The novelty of the plan was also in its favor, and on the whole it worked well enough amply to repay the great amount of labor expended in securing its adoption. The percentages ranged from eleven and one-fourth to one per cent.

¹ The figures in brackets indicate the original pagination of the sources reproduced.

In 1880 the amount of the pool was reduced from two cents to one cent per pound, and in June of that year to one-fourth cent; but in January, 1881, the pool was abolished. In April, 1882, however, it was deemed best to re-establish it, and on the 28th of June the proportions were again agreed upon for three years. At the expiration of that time the new concerns which had grown up were taken into the association, and after much labor, lasting from February to July, 1885, a new pool was formed, and the proportions as fixed by the committee were accepted.

No one who was present will ever forget the magnificent banquet given at Long Branch, on the 29th of July, 1885, to the members of the association, by the Hon. Edwin H. Fitler, of Philadelphia, who, as president for many years, had been untiring in his efforts to unite the members and preserve harmony. Equal honor should be awarded to Mr. Frederick Davis of Sewall, Day & Company of Boston, and to Mr. D. B. Whitlock of New York, for many years secretary of the association, who died in 1888.

[6] In April, 1887, before the expiration of the time agreed upon at the formation of the last pool, it was broken up; and the next event of great interest was the formation and incorporation of the National Cordage Company. This was composed of the four leading concerns in New York City; and although their circular, dated August 1, 1887, announced that their "large facilities and long-established reputation were a guaranty that they could fulfil all that they promised to do," yet the successful accomplishment of their aims would have demonstrated that the age of miracles was not wholly past. The projectors were, no doubt, sanguine enough really to believe that it was possible to control the product and prices of Manila and Sisal hemp, but the attempt was a failure. An effort was made to subsidize the houses and brokers engaged in the trade, but they did not remain subsidized, and the scheme would not work. In some remarks made by the writer, May 27, 1886, in the Old South Church, Boston, at a meeting called to discuss the Morrison tariff bill, he said; "The day of monopolies in this country is past, and there is no danger but that the competition among ourselves, with the wonderful and ever-increasing labor-saving appliances and economical devices of the present day, will keep down prices, in our own products at least, to a reasonable point."

Thus it was with the attempt alluded to. The time had gone by for any such arrangement to be more than temporary, and measures

to undermine the project were taken by those who did not propose to give up their individual judgment in purchasing raw material; and it is not strange that, with the immutable laws of trade working in their favor, these measures were at once and continually successful. The National Cordage Company was in the position of a whale attacked by swordfish. The whale was only one organization, and was cumbersome and unwieldy; the swordfish were numerous and extremely lively in their movements, and the result of the conflict was what might reasonably have been expected. The whale was exhausted by his attempts to maintain his ground, and what was bad rapidly became worse. In January, 1890, the National Cordage Company made an attempt to have all the manufacturers outside of their organization join them. But no one who joined the National knew the terms made with his neighbor, and it was not long before distrust and suspicion ruined the whole project. On the 4th of May, 1893, the National passed into the hands of receivers, although they had paid eight per cent dividends from 1891 on their preferred, and from nine to ten and one-half per cent on their common stock, dividends having been declared on both, three days before their failure.

It is too early to write the history of the United States Cordage Company, which organization succeeded the National Cordage Company. Circumstances scarcely controllable by any one resulted in disaster, and, in fact, its career was never much more than a continued liquidation. A fall in the prices of raw material, unexpected and unprecedented, together with other misfortunes, culminated in the appointment of receivers, June 3, 1895.

FORM OF TRUST CERTIFICATE

*A11

NATIONAL CORDAGE ASSOCIATION

Union Township, New Jersey, January 26, 1890

This is to certify that

Shares

Company

4667

is entitled to forty-six hundred and }
sixty-seven } shares of one

hundred dollars; each in the equity and to the property held by the National Cordage Association; transferable only on the books of said Association on surrender of this certificate; and in the manner prescribed in its by-laws. This certificate is issued upon the condition that the holder or any transferee thereof shall be subject to all the provisions of the agreement creating said Association and the by-laws adopted in pursuance thereof, as fully as if he had signed the same.

Picture of
a palm tree

NATIONAL CORDAGE ASSOCIATION

C. P. MARSH

Secretary

J. M. WATERBURY

Chairman

CERTIFICATE OF THE ORGANIZATION OF THE NATIONAL CORDAGE COMPANY

This is to certify that we, Walter Palmer, Robert T. Spencer, Willard P. Whitlock and William F. Miller, do hereby associate ourselves into a Company under and by virtue of the provisions of an Act of the Legislature of New Jersey, entitled "An Act concerning corporations" approved April 7th, 1875, and the several supplements thereto and acts amendatory thereof, for the purposes hereinafter mentioned, and to the end we do by this, our certificate, set forth:—

First:—The name which we have assumed to designate such Company and to be used in its business and dealings is

"THE NATIONAL CORDAGE COMPANY."

Second:—The places in this State where the business of such Company is to be conducted are; Union Township in the County of Hudson; Rutherford in the County of Bergen; Elizabeth in the county of Union and such other places as from time to time may be found convenient or necessary.

The principal part of the business of said Company within this State is to be transacted at Union Township in the County of Hudson and the places out of this State where the same is to be conducted are the Cities of New York and Brooklyn in the State of New York; and in such other places in the several States of the United States and elsewhere as from time to time shall be found necessary or convenient for the purposes of the Company's business.

The objects for which the Company is formed are the manufacture and sale of cordage, binder twine and any and all other similar commodities, including the acquisition by purchase, manufacture or cultivation of all materials, supplies, machinery and other articles necessary or convenient for use in connection with and in carrying on the business of manufacturing and sales as aforesaid; the acquisition by purchase, lease or other contract of all necessary or convenient lands and premises, with buildings and machinery for the purpose of such manufacture, together with all necessary and convenient means for the economical transportation of all supplies, machinery,

raw materials and their products, and to this end the acquisition of such boats and vessels and facilities therefor and the use thereof as the Company may deem necessary from time to time; the arrangement by contract for the use of premises by others in the manufacture of commodities as aforesaid for the use and benefit of the Company and the supply of material, machinery and other facilities therefor; and in general, the engagement in any and all lawful business whatever which may be found convenient or necessary in and about the manufacture and sale as aforesaid as well by the Company as through and by means of other persons, firms or corporations throughout the State of New Jersey and other State and elsewhere as aforesaid.

The portion of the business of the Company which is to be carried on out of this State is the manufacture and sale of the various commodities above mentioned and in addition such and so much of the business connected therewith and hereinbefore described, as the Company may from time to time find convenient or advantageous, by reason of locality or other conditions or circumstances at any time during the life of the Company, existing.

Third: — The total amount of the Capital Stock of said Company is Two Million Five Hundred Thousand Dollars; divided into twenty-five thousand shares of the par value of One hundred dollars each.

The amount with which said Company will commence business is One Million Dollars (\$1,000,000) divided into Ten Thousand (10,000) shares, of the par value of One Hundred Dollars each.

Fourth: — The names and residences of the stockholders and the number of shares held by each, are as follows, to-wit: —

Walter Palmer	Brooklyn, N. Y.	2495 shares—
Robert T. Spencer	Brooklyn, N. Y.	2495 shares—
Willard P. Whitlock	Elizabeth, N. J.	2495 shares—
William F. Miller	Brooklyn, N. Y.	2495 shares—
Thomas Stanleigh	Brooklyn, N. Y.	4 shares—
Robert B. Gilmour	Brooklyn, N. Y.	4 shares—
Charles D. Orth	New York, N. Y.	4 shares—
Francis Gilbert	East Orange, N. J.	4 shares—
Edwin R. Brinkerhoff	Ludlow, N. Y.	4 shares—

Fifth: — The period at which said Company shall commence is the 21st day of July 1887, and the period at which it shall terminate is the 21st day of July 1937.

In witness whereof, we have hereunto set our hands and seals
the 18th day of July 1887.

Signed sealed &c in

WALTER PALMER L.S.

the presence of

ROBT. T. SPENCER L.S.

JOHN W. HECK

WILLARD P. WHITLOCK L.S.

Wm. F. MILLER L.S.

State of New York.

City and County of New York. } ss: —

Be it remembered that on this Eighteenth day of July
1887, before me John W. Heck a Master in Chancery of the State of
New Jersey personally appeared Walter Palmer Robert T. Spencer
Willard P. Whitlock and William F. Miller who I am satisfied are
the persons named in and who executed the foregoing Certificate,
and I having first made known to them the contents thereof, they
did each acknowledge that they signed, sealed and delivered the
same as their voluntary act and deed.

JOHN W. HECK

Master in Chancery N. J.

ENDORSED. "Recorded in Hudson Co N. J. Clerks office July 20
1887 in Clerks record No 6

DENNIS MCLAUGHLIN

Clerk."

ENDORSED. "Filed July 20 1887

HENRY C. KELSEY

Secretary of State."

CIRCULAR OFFERING STOCK TO PUBLIC

Messrs. AUGUST BELMONT & Co., New York.

Messrs. VERMILYE & Co., New York.

SUBSCRIPTION FOR

\$5,000,000 OF 8% CUMULATIVE PREFERRED STOCK

THE NATIONAL CORDAGE COMPANY

Incorporated under the Laws of the State of New Jersey

DIRECTORS

James M. Waterbury, *President*, Of L. Waterbury & Co.
Frank T. Wall, *Vice-President*, Of William Wall's Sons.
Elisha M. Fulton, *Treas.*, President of the Elizabethport Cordage Co.
Caleb P. Marsh, *Sec.*, President of The Tucker & Carter Cordage Co.
John A. Tucker, Treasurer of The Tucker & Carter Cordage Co.
Chauncey Marshall, Of L. Waterbury & Co.
Willard P. Whitlock, . . . Treasurer of Elizabethport Cordage Co.

REGISTRAR OF TRANSFERS

FARMERS' LOAN & TRUST COMPANY, New York.

ATTORNEYS

BETTS, ATTERBURY, HYDE & BETTS, EQUITABLE BUILDING, N. Y.

CAPITAL STOCK, \$15,000,000.

DIVIDED INTO

50,000 Shares 8% Cumulative Preferred Stock, of \$100 each \$5,000,000
100,000 Shares Common Stock (*all of which has been issued as full-paid
stock*), of \$100 each \$10,000,000

The Preferred Stock now offered is issued full-paid for cash, is non-assessable, and carries no personal liability to stockholders.

The Company has no bonded or mortgage debt, and the creation of any such debt, except with the consent of holders of record of at least eighty per cent. (80%) of the preferred stock, is prohibited by by-law.

The Preferred Stock is entitled to a preferential cumulative dividend of 8 per cent. per annum, accruing from November 1st, 1890, and payable out of the net earnings of the Company before any dividends are paid upon the Common Stock; and the Preferred Stock will also have priority over the Common Stock in respect of all property and assets of the Company, in case of liquidation or dissolution.

The two classes of stock have the same voting power per share.

Preferred dividends will be payable quarterly on the first days of November, February, May and August of each year, and the transfer books will close fifteen days prior to the date of payment.

Both classes of stock will be registered at the office of the Farmers' Loan and Trust Company of New York, and application will be made to list them on the New York, Boston and Chicago Stock Exchanges.

After the payment of 8 per cent. cumulative on the Preferred Stock and 12 per cent. non-cumulative on the Common Stock, and the reservation of such surplus as may be determined by the Board of Directors of the Company, any further dividends will be divided *pro rata* between the two classes.

The organization of the Company and the legal validity of the Preferred Stock issue now offered have been submitted by the Bankers to their counsel respectively, and approved, as will appear from the following opinions:

OPINIONS OF COUNSEL

DREXEL BUILDING,
NEW YORK, Oct. 9th, 1890.

TO MESSRS. AUGUST BELMONT & CO.:

We have, as requested by you, examined the organization of The National Cordage Company, and its issue of Preferred Stock. It is our opinion that the organization is regular and the stock issue valid; and that the holders of said stock will be legally secure in the rights and immunities set forth in your Prospectus of this date.

LOWREY, STONE & AUERBACH.

54 WALL STREET,
NEW YORK, Oct. 9th, 1890.

Messrs. VERMILYE & Co.,

GENTLEMEN: We have investigated the organization of The National Cordage Company, and the proceedings attending its issue of Preferred Stock.

We advise you that the organization of the Company and the issue of Preferred Stock are valid in law, and that the holders of such stock will be entitled to the privileges and immunities stated in the Prospectus.

Very truly,

BUTLER, STILLMAN & HUBBARD.

PROSPECTUS

The NATIONAL CORDAGE COMPANY is a corporation organized under the laws of the State of New Jersey, for the importation of hemp and the manufacture and sale of cordage.

This industry is staple and one of the oldest in the United States; the volume of the business has increased rapidly during the past twenty years, and under the present plan of operations should be capable of still more profitable expansion, *while furnishing as cheap if not cheaper product to the consumer.*

The Company, in addition to its large working capital, has contracts for the fee of the following manufacturing properties, which are now under lease to it, free of mortgage or other encumbrance:

L. Waterbury & Co.	Brooklyn, N. Y.
William Wall's Sons	Brooklyn, N. Y.
Elizabethport Cordage Co.	Elizabethport, N. J.
The Tucker & Carter Cordage Co	Brooklyn, N. Y.
Geo. C. Pooley & Sons	Buffalo, N. Y.
Xenia Twine & Cordage Co.	Xenia, O.
J. Rinek's Sons,	Easton, Pa.
Akron Twine & Cordage Co.	Akron, Ohio.

in addition to which the Company controls the manufacturing properties of the

Victoria Cordage Company	Dayton, Ky.
H. R. Lewis & Co.	Philadelphia, Pa.
Baumgardner, Woodward & Co.	Philadelphia, Pa.
New York Cordage Co.	New York City.
Atlas Cordage Co.	New Orleans, La.
Randall, Goodale & Co.	Boston, Mass.

Many of these concerns have been in business for half a century, and are well known to the business community of this and other cities.

The proceeds of the Preferred Stock will be paid over to the Company, to be applied by it to the consummation of these several contracts, and to other purposes determined by the corporation.

With the exception of the four manufacturing properties last mentioned, the former managers or proprietors of the several concerns are under contracts with the Company for long terms to run the respective mills under a system of competitive bids, the raw material being furnished by the Company and awards being made to the lowest bidders. The contractors, whether successful or unsuccessful in bidding, are under obligation by the same contracts to maintain the mills at their own expense in a fit state of efficiency for the next annual competitive bid, in which they are obliged to take part. The Company is thus under no expense for idle mills, while the skill of the business is retained. All the economies of consolidation are secured by this plan of organization, as well as the wholesome effect of free and keen competition among the manufacturers, resulting in lower prices to the public, without decreasing the profit to the Company.

The Company buys a very large percentage of all the fiber used in this country for cordage and binder twine. On this account it has great influence in the markets of the world for fiber, and the size of its contracts with the producing countries enables the Company to obtain correspondingly favorable prices.

The Company has in addition other valuable contracts and concessions.

A Committee, composed of the President, the Secretary and three Directors of the Company, has, during August of this year, inventoried the assets of the Company, and reported to the stockholders that the value of the assets, exclusive of the proceeds of the \$5,000,000 Preferred Stock to be issued, is \$12,000,000 and upwards, over and above all liabilities.

Affidavits of the foregoing Committee, submitted to the bankers, and which are satisfactory to them, are the basis for the essential statements of facts herein concerning the character and volume of business of the corporation, its assets and method of operations; and, in the opinion of the undersigned, fully justify these statements and the conclusions drawn from them. *The affidavits further show*

that the annual aggregate profits of the several concerns for the past ten years have been more than enough to pay the annual dividend on the Preferred Stock and leave a very large surplus, notwithstanding the fact that during some of that period the interests now consolidated were in competition of a character now avoided.

The Committee further certifies that at no time within the past twenty-five years have the aggregate annual profits of the several concerns been insufficient to pay the 8 per cent. dividend on the Preferred Stock, although the consumption of cordage at the beginning of that period was only one-quarter what it is to-day.

The Common Stock remains in the possession of those interested in the property and management.

By direction, and on behalf of the Corporation, we invite subscriptions to the above-mentioned Preferred Stock at *par*, payable as follows:

- 5 per cent. on application;
- 25 per cent. on allotment;
- 35 per cent. on November 3rd;
- 35 per cent. on November 17th.

Allottees will have the option of paying in full on allotment, and interest on the anticipated payment will be allowed at the rate of 4% per annum.

Temporary receipts will be given by the Bankers for instalments as paid, exchangeable into preferred stock on November 17th, the date fixed for the payment of the final instalment.

The right is reserved to reject any subscriptions and to make allotments of less amounts than the amounts applied for. In allotment, preference will be given to dealers in cordage and others more directly interested in the business. If the whole amount applied for by any applicant be not allotted, the surplus amount paid on application will be applied upon the sums due on the allotment. When no allotment is made, the deposit will be returned in full.

Failure to make payment of any instalment may operate as a forfeiture of all previous payments.

The subscription list will be opened simultaneously at 10 o'clock A.M. on Tuesday, the 14th day of October, and close at 3 o'clock P.M. on Wednesday, the 15th day of October, 1890, at the offices of

AUGUST BELMONT & Co., 23 Nassau Street, New York,
VERMILYE & Co., 16 and 18 Nassau Street, New York,

and by

FRANKLIN TRUST Co., Brooklyn, N. Y.
INTERNATIONAL BANK, Chicago, Ills.
FIRST NATIONAL BANK, Cincinnati, Ohio.
NATIONAL BANK OF COMMERCE, St. Louis, Mo.

Prospectuses and forms of application can be obtained at the offices above mentioned, where subscriptions will be received.

The subscription for the entire amount of the Preferred Stock above offered has been guaranteed by underwriters in this country and abroad.

NEW YORK, Oct. 9th, 1890.

Form of Application

THE NATIONAL CORDAGE COMPANY

ISSUE OF \$5,000,000 OF 8% CUMULATIVE PREFERRED STOCK

Gentlemen:

.....hereby apply for.....Shares, at the par thereof, of 8% Preferred Stock of THE NATIONAL CORDAGE CO., amounting to \$.....and enclose 5% deposit, or \$....., required on application.hereby agree to take any part or all of the stock allotted to.....hereunder, in accordance with terms of your Prospectus of Oct. 9th, 1890.

Payments to be made as follows:

5% on Application.
25% on Allotment.
35% on November 3d, 1890.
35% on November 17th, 1890.

Allottees have the option to pay in full on allotment, and interest on the anticipated payment will be allowed at the rate of 4% per annum. If no allotment be made the deposit will be returned in full.

Failure to make payment of any instalment may operate as a forfeiture of all previous payments, and of all allotment rights.

Temporary receipts will be given by the Bankers for instalments as paid, exchangeable into Preferred Stock on November 17th, the date fixed for the payment of the final instalment.

Signature.....

Date.....

Address.....

To

AUGUST BELMONT & Co., 23 Nassau St., New York City
VERMILYE & Co., 16 & 18 Nassau St., New York City.

TESTIMONY CONCERNING THE ACQUISITION OF
ONE OF THE ORIGINAL COMPANIES BY THE
NATIONAL CORDAGE COMPANY¹

Q. (Wm. N. Cohn for plaintiff.) What was the relation to the Elizabethport Cordage Company of the National Cordage Company from its inception? — A. (James M. Waterbury.) It was leased by the National Cordage Company.

Q. What were the terms of that lease? — A. It was a 99 years' lease and they had a working contract under which they manufactured for the National Cordage Company under an annual bid, a competitive bid, and failing to receive a contract they were obliged to close down at their own expense for the year. The idea was that they would be forced to bid sufficiently low to enable them to run and consequently the National Cordage Company would have its goods made at a very reasonable price; that was the consideration at that time.

Q. How did you become possessed, or how did you purchase the Elizabethport Cordage Company? — A. We issued stock to them and took a deed to their property.

Q. What was the consideration that was given to the Elizabethport Cordage Company on getting control of its property by the Cordage Company? — A. I don't remember the amount of the stock of the National Cordage Company. [Objected to as irrelevant, by Mr. Landabury.]

Q. Do you know what its earnings were — on what basis did the National Cordage Company figure in the acquisition of the Elizabethport Cordage Company, if you don't know what its earning capacity was? — A. I am not personally familiar with it. At the time we figured up the value of the product — its earning capacity and the product. Those figures have gone out of my mind.

¹ Testimony taken in the litigation between the National Cordage Company and one of its stockholders. Evidence in *Balch v. National Cordage Company*, New Jersey Court of Chancery, before Commissioner C. N. Williams, October 17th, 1892.

Q. . . . You don't remember the dividend earned by the Elizabethport Cordage Company at the time you acquired it? — A. I have no recollection of it.

Q. Your books will show? — A. Our books will not show.

Q. Won't your minutes or the records of your meetings show the condition of the Elizabethport Cordage Company at the time that the National Cordage Company acquired it? — A. I don't think they will.

Q. Were any representations made to you by the Elizabethport Cordage Company as to their condition? [Objected to as irrelevant.]

— A. Undoubtedly there was, but I don't remember it. It is some years ago.

Q. The agreement by which you acquired possession of the Elizabethport Cordage Company, was that in writing? — A. I should think not; I think it was a matter of negotiations where we finally settled upon an amount.

Q. Can you tell me the consideration that was paid? — A. I cannot.

Q. You don't remember then the amount of stock that the National Cordage Company issued to the Elizabethport Cordage Company for the control of the latter's property? — A. I do not.

Q. Not even approximately? — A. I think it was between two and three millions of dollars, but there was some common and some preferred, and I can't remember —

Q. And you don't remember the proportions of each? — A. No, sir.

Q. Was there any fixed value put on the National Cordage Company's stock at that time, at which it was to be taken by the Elizabethport Cordage Company? — A. No value was mentioned as far as I remember.

Q. Do you remember whether it was valued? — A. Probably people in their own minds valued it, but the negotiations were not in that way.

[Mr Waterbury then stated that he had brought the certificates, showing the transfers of stock of the National Cordage Company in which the Elizabethport Cordage Company was interested, called for in the subpoena that was served on him. These certificates were three in number, and were later offered in evidence by Mr. Cohn, and were marked complainant's exhibits Nos. 1, 2 and 3. The first certificate was for 23,878 shares of the common stock of the National

Cordage Company issued to the Elizabethport Cordage Company on February 24, 1891, signed by J. M. Waterbury, President, and E. M. Fulton, Treasurer, countersigned by John C. Furman; transferred to L. Waterbury & Co., for value received on February 24, 1891, signed by the Elizabethport Cordage Company, E. M. Fulton, President; and marked cancelled by the Farmers' Loan and Trust Co., March 2, 1891.]

Q. Now, in the acquisition of this property, as well as of others, you had some principle upon which you purchased, did you not?

— A. I think it was; principally productive capacity was our great principle.

Q. Aside from the earning capacity? — A. Principally the productive capacity. We knew that under our management capacity would be equalized.

Q. There is an underlying principle in the acquisition of these properties, I believe. You say that was the productive capacity. Now, do you know what the productive capacity of the Elizabethport Cordage Company was at the time of the acquisition? — A. I don't remember now. I merely know it was a very large mill. Since then it has burned down you know.

Q. What was the consideration paid by L. Waterbury & Co., to the Elizabethport Cordage Company for the transfer of this certificate of stock of the National Cordage Company for 23,878 shares?

A. That I will have to refuse to answer by advice of counsel as being irrelevant.

Q. These two certificates, one of common stock for 95 shares and numbered C 195, dated May 4th, 1891, and the other for preferred stock, 53 shares, numbered A 498, and dated May 5th, 1891 — is that all the stock of the National Cordage Company that was ever issued to the Elizabethport Cordage Company, together with this large certificate of course? — A. I believe so.

Q. And no more than 53 shares of preferred stock was ever issued to the Elizabethport Cordage Company or to any one in its behalf on the consummation of this arrangement between the Elizabethport Cordage Company and the National Cordage Company? — A. There must have been some preferred stock issued to some one in its behalf; I thought you meant strictly to the Elizabethport Cordage Company.

Q. Was there any common stock issued to any person in behalf of the Elizabethport Cordage Company other than those certificates

to which I have referred on the consummation of this deal between the Elizabethport Cordage Company and the National Cordage Company? — A. I have answered those other questions wrongly. The preferred stock was all issued publicly by Belmont & Co., and the proceeds of it were paid over to the Elizabethport Cordage Company. Any preferred stock that they got — I just remember now — they must have subscribed for through Belmont & Co.

Q. Do you mean to say that any interest that the Elizabethport Cordage Company got in the preferred stock of the National Cordage Company they got in cash and not in preferred stock? — A. Yes, that expresses it better than I did. Except I say — the exception was that they did not have any interest in the preferred stock but they did receive cash — certain amount of cash for their properties.

Q. Now that there be no mistake, was there beside this common stock issued to the Elizabethport Cordage Company, any cash paid by the National Cordage Company on the consummation of this deed in 1891? — A. There was cash paid or agreed to be paid.

Q. How much was that? [Objected to as irrelevant.] — A. I know it was a large amount; I don't remember the figures. I should say altogether they have been paid half a million dollars.

SECURITY CORPORATION PURCHASE CONTRACT

THIS CONTRACT made the 2d day of November, 1891, between the firm of L. WATERBURY & Co., of the City of New York, party of the first part, THE SECURITY CORPORATION, a corporation organized under the laws of the State of New Jersey, party of the second part, THE NATIONAL CORDAGE COMPANY, a corporation organized under the laws of the State of New Jersey, party of the third part, and THE MANHATTAN TRUST COMPANY, a corporation organized under the laws of the State of New York, party of the fourth part, WITNESSETH:

WHEREAS, The said firm of L. Waterbury & Co., party of the first part, have acquired certain Cordage and Binder Twine Plants, Mills and property, machinery and tools appurtenant thereto, suitable for the manufacture of Cordage and Binder Twine in the United States, a schedule whereof is hereto attached marked "A;"

AND WHEREAS, The Security Corporation, party of the second part, has agreed to purchase the properties aforesaid from the said L. Waterbury & Co., and issue its bonds in payment thereof, to the amount and in the form and manner herein stated, and to ultimately dispose of and transfer the same as hereinafter provided;

AND WHEREAS, The National Cordage Company, party to the third part, incorporated, among other things, for the manufacture and sale of Cordage and Binder Twine throughout the United States, is amongst other things empowered to acquire by purchase, lease or otherwise, Cordage and Binder Twine Mills, Plants, Real Estate, Machinery and other property appurtenant to or suitable for its business, throughout the States of the United States and elsewhere, and for the purpose of extending and enlarging its business, desires to secure the right to the present use and control of the property so to be conveyed to said Security Corporation, with a view to the management and operation of the same pending the acquisition of the full and absolute title thereto, on compliance with its covenants and agreements in that behalf to be made, as set out herein, and in the schedules annexed hereto;

AND WHEREAS, Certain incumbrances and liens by way of mortgage, pledge or otherwise, exist and are outstanding upon certain

of the properties mentioned in Schedule "A," and which have not yet matured, for which reason the said properties cannot be freed therefrom, a statement of which incumbrances, with the date, amount and terms of each respectively are set forth in Schedule "B" hereto attached:

NOW TO THE END AFORESAID, and IN CONSIDERATION OF THE PREMISES and their mutual covenants, the parties hereto agree as follows:

FIRST. — The said firm of L. Waterbury & Co., hereby agrees to sell and convey, and the Security Corporation hereby agrees to purchase each and all of the properties mentioned and described in said Schedule "A" hereto attached, subject to the several incumbrances and liens thereon appearing in Schedule "B," at and for the sum of six million dollars, payable in bonds of said Security Corporation of the denomination of one thousand dollars each, at par or their face value, in the form hereto attached marked Schedule "C," and secured in the manner hereinafter provided, all of which said bonds shall be delivered to the party of the first part upon the execution and delivery of conveyances and transfers of the properties aforesaid, or as soon thereafter as the same can be done, except as to one million six hundred sixty-five thousand dollars of said bonds at their par or face value, being the aggregate amount of said outstanding liens and incumbrances mentioned in Schedule "B," which latter bonds shall be delivered by the said Security Corporation to the Manhattan Trust Company, Trustee, party of the fourth part, who shall hold and apply the same to paying off and discharging the said liens and incumbrances from time to time as the same become due and payable, as hereinafter provided, and until the same shall have been paid and discharged shall apply the interest thereon to keep down the interest on the said outstanding liens and incumbrances; Provided, however, that at any time the said firm of L. Waterbury & Co., on paying off any of said liens and incumbrances so shown on Schedule B, and discharging the lien thereof, shall thereupon on producing proof thereof to the Trustee be entitled to have and receive of the said Trustee an amount of said bonds equal to the principal sum of any such lien or incumbrance so paid off and discharged, interest coupons prior to the last day of payment to be detached and cancelled, and the coupon next falling due to be adjusted.

It is further agreed that a rateable part of the interest on the liens and incumbrances to the date of the conveyances and transfers shall be assumed and discharged by the said firm, the party of the first part.

It is further agreed that any of said bonds so deposited may at any time be sold by the Trustee, with the consent and at prices approved by the parties of the first and third part, but not less than par and accrued interest, and the proceeds thereof invested in the securities and in the manner authorized by Paragraph of Schedule "E" attached hereto, being the provisions governing the investment of moneys for the sinking fund in case bonds secured by the mortgage to the party of the third part be not purchased by the Trustee, in which case any funds on hand shall be first applied in payment of said maturing lien or incumbrance, and in case no sufficient amount of funds be on hand, then sufficient of said securities shall be sold by the party of the third part to pay the same.

SECOND. — Upon the execution and delivery of the conveyances and transfers to the Security Corporation aforesaid, it shall execute and deliver to the National Cordage Company, a lease or leases of the properties so as aforesaid conveyed or transferred to it, for the term of 20 years from and after the 1st of November, 1891, and in the form hereto attached marked Schedule "D."

THIRD. — For the purpose of securing the payment of the principal and interest of the bonds to be issued by it as aforesaid, the said Security Corporation shall execute and deliver to the said Manhattan Trust Company, as Trustee, a deed of trust or mortgage of all of the properties so conveyed or transferred to it; but subject, however, to the lease of the same to the National Cordage Company aforesaid, the form of which deed of trust is hereto attached marked Schedule "E," and shall in said mortgage or otherwise secure such bonds upon all the rights and privileges of the said Security Corporation under said lease.

FOURTH. — The National Cordage Company hereby agrees to lease the said properties with the right to purchase the same in the form specified in Schedule "D" attached, and does hereby undertake and agree to and with each and all of the parties hereto, to execute and perform the said lease and contract in accordance with the terms and provisions thereof, and to make each and every of the payments therein provided for.

FIFTH. — The Manhattan Trust Company agrees to accept the trusts hereby intended and contemplated, and to keep, observe and perform the same in accordance with the terms thereof.

SIXTH. — It is further provided that this agreement is intended to set forth the general provisions of the arrangement entered into by the parties, and the several parties hereby agree to execute such other proper instrument or instruments and in good faith to do and perform such other necessary acts and things as to carry out the agreement and general scheme hereby agreed on.

IN WITNESS WHEREOF, the party of the first part has hereunto set its hand and seal, and the parties of the second, third and fourth parts have caused these presents to be executed by their respective officers and their respective corporate seals to be hereunto affixed, the day and year first above written.

Sealed and delivered in }
the presence of — }

BOND OF SECURITY CORPORATION

THIS INDENTURE, made the second day of November, one thousand eight hundred and ninety-one, between the SECURITY CORPORATION a corporation organized and existing under the laws of the State of New Jersey, party of the first part, and the MANHATTAN TRUST COMPANY of the City of New York, a corporation organized and existing under the laws of the State of New York, party of the second part, WITNESSETH:

WHEREAS, The said Security Corporation has full powers to acquire, mortgage, pledge, lease and otherwise dispose of factories, plants and mills, with their machinery and appurtenances, together with the lands upon which the same are located, situate in any of the States of the United States and elsewhere; and

WHEREAS, Said Security Corporation has become the owner of and been vested with the title to the Cordage Mills plants, properties, machinery and appurtenances hereinafter described, subject to certain liens by way of pledge, mortgage or otherwise as hereinafter stated, all of which the said Security Corporation has this day leased to the National Cordage Company, with the right to become the absolute owner or direct the disposition thereof upon the payment of the rental and sinking fund payments, and on the terms in said lease contained; and

WHEREAS, Said Security Corporation has prepared an issue of bonds to the amount of six million dollars, and proposes by this instrument, bearing even date with said lease, to secure the same, upon the trusts herein declared and set forth; and

WHEREAS, The said corporation, party of the first part, has resolved, at a meeting of its Board of Directors convened and held on the day of 1891, to create and issue, for the purposes aforesaid, its said mortgage bonds to the amount of six million dollars, of the denomination of \$1,000 each, in general form and substance as follows:

FIRST MORTGAGE CONSOLIDATED GOLD BOND

UNITED STATES OF AMERICA

STATE OF NEW JERSEY

Gold Bond \$1,000.

No.....

The Security Corporation, a corporation duly created and existing under the laws of the State of New Jersey, for value received, acknowledges itself to be indebted unto the Manhattan Trust Company, Trustee, or the bearer hereof, in the sum of one thousand dollars in gold coin of the United States of America, of the present standard of weight and fineness, which sum the said The Security Corporation promises to pay to the bearer hereof on the first day of November in the year 1911, at the office of the Manhattan Trust Company in the City of New York, with interest thereon from the first day of November, 1891, at the rate of six per cent. per annum, payable semi-annually in the like gold coin, at the office of the said Trust Company, in the City of New York, on the first days of May and November in each and every year, on the presentation and surrender of the annexed coupons as they severally mature, and without deduction from either principal or interest of the amount of any tax or taxes which the said Company may be required to pay or to retain therefrom, by any present or future laws of the United States, or any of the States thereof, the said corporation hereby agreeing to assume the payment of all such taxes.

In case of default in the payment of any coupon attached hereto at maturity, after demand of payment at the place named for payment, and if such default shall continue for ninety days, then the principal of this bond shall become due and payable in the manner and upon the conditions provided in the deed of trust or mortgage hereinafter mentioned, securing the payment hereof.

This bond is one of six thousand bonds of like amount, tenor and date, amounting in the aggregate to six million dollars, numbered from one to six thousand inclusive, the payment of all of which is equally secured by a certain deed of trust or mortgage of the properties, rentals and franchises therein described, dated November 1, 1891, executed and delivered by the said The Security Corporation to the Manhattan Trust Company, as Trustee, to which deed of trust or mortgage reference is hereby had for the terms and conditions of the same, and the terms and conditions upon which this bond is issued.

The said bonds and each of them are entitled to the benefits of and subject to the sinking fund provisions contained in the said mortgage or deed of trust, whereby the sum of one hundred and twelve thousand five hundred dollars in like gold coin is to be paid to the Trustee in semi-annual instalments, sufficient at the maturity of said bonds to pay off and discharge the same in full.

The payment of interest and the payments to the sinking fund in the said mortgage or deed of trust provided for, are further secured by a certain indenture of lease bearing even date herewith, executed by the said The Security Corporation to the National Cordage Company, wherein the said National Cordage Company agrees to pay the Trustee, as a rental for the properties mortgaged hereby, in each year a sum equal to the interest upon this bond and the other bonds of said issue, and the semi-annual payments in said mortgage or deed of trust required to be paid to the sinking fund.

This bond shall not become obligatory until authenticated by a certificate endorsed hereon and duly signed by the Trustee.

IN WITNESS WHEREOF, the said Corporation has caused its corporate seal to be affixed and the same to be attested by the signature of its President and Secretary, on the first day of November, 1891.

President.

Secretary.

[FORM OF COUPON.]

On the first day of _____ The Security Corporation will pay the bearer hereof thirty dollars in gold coin, at the office of the Manhattan Trust Company, in the City of New York, being for six months' interest on its mortgage bond No. _____

Secretary.

[FORM OF TRUSTEE'S CERTIFICATE.]

The within bond is one of the bonds mentioned and described in a certain deed of trust or mortgage made by The Security Corporation to the Manhattan Trust Company, as Trustee, bearing date the first day of November, 1891.

MANHATTAN TRUST COMPANY, *Trustee,*

By

President.

EXTRACTS FROM PERIODICALS COVERING DIFFERENT PHASES OF THE NATIONAL CORDAGE COMPANY'S HISTORY

THE PERIOD OF EXTENSION

The Secretary of the company has made the following statement: "Anyone familiar with the conditions of the issue of our preferred stock knows that we cannot place any obligations ahead of our stock. In buying outside properties, rather than pay all cash, which might interfere with the payment of the regular dividends on its stock, the company has preferred to pay part cash and make deferred payments on the balance, the sellers keeping a mortgage on their properties to secure these deferred payments, which bear a lower rate of interest than the stock. Thus the National Cordage Co. is enabled to secure these properties without any further issue of preferred or common stock, and still keep up permanently its regular dividends, besides greatly improving the value of its assets. In addition to the properties already known to have been acquired by the company, viz., the eleven mills in Canada (constituting all there are), the Sewall and Day Cordage Co. of Boston, the Boston Cordage Co. of Boston, the Standard Cordage Co. of Boston, the Day Cordage Co. of Cambridge, it has still more recently acquired the largest concern in the West, viz., Wm. Deering and Co.'s Twine Mills, Chicago; also the Field Cordage Co. of Xenia, Ohio; the Miamisburg Binder Twine and Cordage Co., Miamisburg, Ohio; the Middletown Twine and Cordage Co., Middletown, Ohio; the Galveston Rope and Twine Co., Galveston, Tex. And the few remaining are in process of purchase, which will undoubtedly soon be accomplished. A proposition is being seriously considered by which a finance company will assume these deferred purchase payments for new property on long time at low interest. The National Cordage Co. is thus nearing the goal that it originally set out to reach, namely, the acquisition of all the mills in the country, and by their acquisition greatly increasing its business, and at the same time giving it more facility for economical manufacture and distribution of its product, and further enabling it to procure its raw material to the best advantage." — 53 *Chron.* 325, *September 5, 1891.*

THE GOOD CONTRACTS

The National Cordage Company, popularly known as the Cordage Trust, has been paying John Good, the millionaire inventor and twine manufacturer, \$200,000 a year to keep his mills shut down, and it has held an option, said to be for \$7,000,000, on his plant, which includes a new twine machine that is expected to revolutionize the trade. The trust announced semi-officially some time ago that this option had been taken up, but it leaked out yesterday that Mr. Good had notified the trust that he did not consider his contracts binding and that he would again open his mills and keep them open.

Wall street was startled by the report and many inquiries were made at the offices of the Cordage Company, but the story of any break in its relations with Mr. Good was denied there, and no information on the matter could be obtained. The early afternoon rumor had it that Mr. Good had broken with the trust because of his dissatisfaction at its refusal to take up the option. It was said that it was only on the condition that the option would be taken up that Mr. Good consented to close his mills and draw \$200,000 a year for doing nothing. But the trust people, for some reason, possibly the lack of \$7,000,000, did not take up the option, but had the time extended more than once.

When I called to see Mr. Good, who is addressed as "Count" by his friends, for he was made a Count of the Holy Roman Empire by the Pope in 1887, he smilingly acknowledged that he had severed his relations with the Cordage Trust.

"But," said he, "I was not forced to. I did it myself for my own best interests. I have never been a member of the National Cordage Company. But I had a contract with them to shut my mills down, and an agreement that they should have the right to purchase my plants and patents within three years. The contract and agreement are dated November 2, 1891. Under the contract they paid me \$200,000 per annum to keep my mills shut down, and under the agreement they were to pay me, if they availed themselves of the option several millions for my plants and patents. My relations with the men comprising the National Cordage Company, always of the most pleasant character, extend a good deal further back, however, than 1891. In June, 1885, the United States Cordage Manufacturers' Association, which was the precursor of the National Cordage Company, after inspecting the new process and system of

making rope and twine which I had perfected, made an agreement by which they paid me \$150,000 a year for several years to shut down my cordage mill. At the expiration of that agreement I started up my mills and that resulted in the execution of a second agreement, under which the National Cordage Company bound itself to take the entire output of my mills. This second agreement, under which I made money, lasted until a short time before the execution of the agreement just terminated. — *The New York World*, April 27, 1892.

Whatever agreements may have existed between this company and Mr. John Good, including the option to purchase his works and patents, have apparently been terminated. Mr. Good is reported as saying that there was a contract of Nov. 2, 1891, by which he was paid \$200,000 per year to keep his mills shut down and gave an option to purchase his plants and patents for several millions of dollars. The officers of the Cordage Company have made no statement. — 54 *Chron.* 752, April 30, 1892.

THE STOCK DIVIDEND

This company has made application to the Stock Exchange to list \$10,000,000 of its common stock. This stock will be issued to the present common stockholders as a scrip dividend of 100 per cent, to represent about \$11,000,000 of assets acquired by the company since its formation, and which it is the policy of the company to hold intact by issuing this stock to represent them. According to an official statement the company will at the end of the first fiscal quarter after the distribution of the new stock declare a dividend at the rate of 7 per cent per annum upon the increased common stock, and at the same time increase the dividend upon the preferred stock from 8 per cent to 10 per cent. — 56 *Chron.* 127, January 21, 1893.

The National Cordage Company announces that it has increased its common stock \$10,000,000, making \$20,000,000. The preferred is \$5,000,000. The increase is to represent additions to and improvements in the properties of the company, in the way of mills, machinery plants, leaseholds, and other real and personal property. The company has prepared certificates for 200,000 shares of the new common stock, representing at the par value of \$100 per share \$20,000,000, by the terms of which the common stock, after the payment of 8 per cent preferential cumulative dividend upon the preferred stock, will be

entitled to receive non-cumulative dividends up to 6 per cent per annum, and in case of other and further dividends, after the reservation of such surplus as the directors may determine, the two classes of stock will share the same in the ratio of one-third to the preferred and two-thirds to the common stock, thus preserving to both common and preferred stockholders the same amount and proportion of dividends to which they are at present entitled.

The present form of certificates of preferred and common stock will be modified to meet these changes. In all other respects the certificates of stock, both common and preferred, will be the same as those now listed. The entire 200,000 shares of new common stock will be lodged with the Farmers' Loan and Trust Company of New York for exchange at the rate of two shares of the new stock, with dividends reduced to 6 per cent, for one share of the common stock at present listed, and present common stockholders to the extent of over 75 per cent of the entire amount outstanding have already agreed to make the exchange offered, when the new stock shall have been admitted to the stock list of the New York Stock Exchange.

Since every dollar of the new \$10,000,000 capital is now probably represented by outstanding securities, stock and bonds, the new issue of stock partakes of the nature of liquid capital, commonly called water, all of which water the investing public is expected to acquire from the speculative pool and other shareholders under the delusion that present ability to pay dividends upon the enlarged capital constitutes it a substantial investment. How the investing public enjoys being deluded! — *The Boston Herald*, January 28, 1893.

NATIONAL CORDAGE COMPANY

ANNUAL REPORT FOR THE YEAR ENDING OCTOBER 31, 1891

To the stockholders of the National Cordage Company:—

I take pleasure in submitting herewith the reports of the Financial and Manufacturing Directors for the fiscal year of the Company ending October 31st, 1891:—

Report of the Financial Director

To the Directors of the National Cordage Company:—

I herewith submit the report of the Comptroller for the fiscal year ending October 31st, 1891, as follows:—

COMPTROLLER'S REPORT

Assets

Quick Assets:—

Merchandise	\$3,143,793.06	
Accounts and bills receivable	2,657,576.04	
Cash	540,251.04	\$6,341,620.14
Real estate, buildings, machinery and leaseholds ..		17,077,500.00
		<hr/>
		\$23,419,120.14

Liabilities

Accounts and bills payable	\$4,712,806.69	
Preferred stock	5,000,000.00	
Common stock	10,000,000.00	
		<hr/>
		\$19,712,806.69
Surplus		3,706,313.45
		<hr/>
		\$23,419,120.14

Profit and Loss Account for the Year

Profit on operations for the year	\$1,406,313.45	
Dividends paid	1,300,000.00	
		<hr/>
Balance		\$106,313.45

BENJAMIN SEAWARD, *Comptroller.*

It will be thus be seen that, notwithstanding the severe competition during the year and a declining hemp market, which still further reduced profits, the results of the business have been fairly satisfactory.

I should like to call attention to the fact that, up to this time, the officers of the company who are Directors have never received any salary for their services. Being large stockholders and vitally interested in seeing that the company was placed on a sound and substantial basis, they have voluntarily given their entire time to its service. This work has now been satisfactorily accomplished and the business greatly increased and improved by the acquisition of new properties. I therefore think it proper to recommend that, for the current fiscal year, the officers of the company should be paid salaries commensurate with the importance of their duties.

Owing to the present low prices of raw materials and the great economies introduced in the manufacture and distribution of our goods, the present year should be a very profitable one, and while placing no additional burdens upon the consumer should afford the Company much larger returns than previous years.

It is very difficult at this time to give an accurate estimate of the profits of the business for the quarter ending January 31st. I feel safe in stating, however, that, after deducing expenses, rentals and all fixed charges, these profits will be found sufficient to pay the entire annual dividend of \$400,000 on the preferred stock and a quarterly dividend of \$250,000 on the common stock, besides leaving a large surplus.

E. M. FULTON, *Financial Director.*

REPORT OF THE MANUFACTURING DIRECTOR

To the Directors of the National Cordage Company:—

I beg to submit to the Board of Directors a report of the physical condition of the properties under its control.

Much care has been devoted to improving the different mills, and to placing all as far as possible upon a plane of equal efficiency. Results have been most flattering in this respect. A large decrease in the cost of production has resulted and constant comparisons of the workings of the different mills have enabled us to adopt the best methods of manufacture to ensure the highest results. This would

have been impossible of accomplishment had the various properties now owned by the company still remained in the control of the separate organizations which heretofore managed them. We have now reached the position of being able to manufacture at a much lower cost than ever before. I have been unable to find that any independent mill, previous to our acquisition of that property, was able to manufacture at anything like the low cost of production we have succeeded in securing for the combined properties under your control.

Betterments to the mill properties have placed them in the highest possible physical condition. The buildings are generally in first-rate order, and all machinery — whether in use or idle — has been fully repaired and made capable of running without interruption, thus bringing all the plants up to a state of the highest efficiency.

I have the fullest confidence that the current year will show large additional reductions in operating expenses, and whatever has been accomplished in the short period while the new mills have been in operation under our control, will be improved upon when continuous and uninterrupted running shows their results.

G. WEAVER LOPER, *Manufacturing Director.*

The Board of Directors fully concur in the views taken of the present condition and future prospects of the corporation by the foregoing reports.

Many of the properties now owned or controlled by the Company, including all the mills in Canada, and several of the largest mills in Boston and in the West and Southwest, came under its control about the 1st of November, 1891. Consequently the profits shown by the Financial Director's report merely represent the profits of the mills formerly owned by the Company, whereas now its manufacturing capacity has been very largely increased and its earnings should be increased correspondingly.

By the acquisition of more properties, three great material advantages were secured for your Corporation.

First. — A large and more economical distributing power.

Second. — Lower raw material consequent upon the absence of speculation and competition in the fiber markets by the various concerns, corporate and individual, which have been absorbed by your Company.

Third. — Cheaper cost of production: (a) By comparisons and the introduction in all the mills of the best methods found in each. (b) By spreading the fixed charges over a larger output. (c) By concentrating the purchase of the manufacturing supplies for all the mills; thereby securing them at the lowest possible prices. (d) By manufacturing for ourselves the principal supplies used by the Company.

Through these advantages, secured by the control of many mills, and their management under one direction, the Company hopes to be enabled to secure an increased margin of profit without increasing the prices of its product to the consumer.

The properties now owned and controlled by the Company are situated in many States in this country and the provinces of Canada, and are forty-nine in number. Some of the plants are very extensive, as may be judged from the fact that the walks in which the large sizes of ropes and cables are made are nearly one-third of a mile in length, and our largest plants occupy acres upon acres of land which are constantly increasing in value.

The geographical situation of the mills has rendered advisable a division into four general departments of the properties of the Company, viz., The New England Department, the Eastern Department, the Western Department, the Canadian Department, each division being in general charge of a department manager, who acts under directions from the main office of the Company. The headquarters of the various department managers are at New York, Boston, Cincinnati and Montreal, and the Company has branch offices at these places.

The other departments of the business, such as the purchasing of the raw materials, the sale of the product, the insurance department and the accounting department, are administered from New York, while the Bureau of Transportation is located at Cincinnati, which was found to be the best point for that purpose.

The many inquiries which have been made about the organization of the Company and its issue of stock seem to require an authoritative statement regarding these matters.

The Capital Stock of the corporation is \$15,000,000, divided into 50,000 shares of 8 per cent Cumulative Preferred Stock of \$100 each,

and 100,000 shares of Common Stock of \$100 each; all of which has been issued as full-paid stock.

The Company has no bonded or mortgage debt, and the creation of any such debt, except with the consent of holders of record of at least 80 per cent of the Preferred Stock, is prohibited.

The Preferred Stock is entitled to a preferential cumulative dividend of 8 per cent per annum, payable out of the net earnings of the Company before any dividends are paid upon the Common Stock; and the Preferred Stock also has priority over the Common Stock in respect of all property and assets in case of liquidation or dissolution.

After the payment of 8 per cent cumulative on the Preferred Stock and 12 per cent on the Common Stock, any further dividends have to be divided pro rata between the two classes of stock.

The two classes of stock have the same voting power per share.

The dividends on both classes of stock are payable quarterly on the first days of November, February, May and August in each year.

Both classes of stock are registered at the office of the Farmers' Loan and Trust Company, and are listed on the *regular list of the New York Stock Exchange*, having passed the scrutiny of the Governing Committee of the Exchange.

The organization of the Company and the legal validity of its stock issue were in October, 1890, submitted by the Bankers who offered for sale the Preferred Stock of the Company to their counsel, and approved, as will appear from the following opinions:

NEW YORK, October 9th, 1890.

To Messrs. August Belmont and Co.:

We have, as requested by you, examined the organization of the National Cordage Company, and its issue of preferred stock. It is our opinion that the organization is regular and the stock issue valid; and that the holders of said stock will be legally secure in the rights and immunities set forth in your prospectus of this date.

Signed, LOWREY, STONE AND AUERBACH.

NEW YORK, October 9th, 1890.

Messrs. Vermilye and Co.:

Gentlemen: We have investigated the organization of the National Cordage Company, and the proceedings attending its issue of preferred stock.

We advise you that the organization of the company and the issue of preferred stock are valid in law, and that the holders of such stock will be entitled to the privileges and immunities stated in the prospectus.

Very truly,

(Signed) BUTLER, STILLMAN AND HUBBARD.

It will be thus seen that the National Cordage Company *is not a trust*, but a regular corporation, with the protection afforded by the laws of the State of New Jersey; and further its capital stock cannot be increased without the consent of the stockholders, as required by law.

The stock of the corporation is widely distributed, the total number of stockholders being at the last closing of the books nearly one thousand, a considerable amount of stock being held by investors in Europe and Canada.

JAMES M. WATERBURY, *President*.

THE BILL OF COMPLAINT UPON WHICH WAS BASED
THE APPOINTMENT OF RECEIVERS

IN CHANCERY OF NEW JERSEY

TO HIS HONOR ALEXANDER T. MCGILL,

CHANCELLOR OF THE STATE OF NEW JERSEY

Humbly complaining, shows unto your Honor, your orator, James M. Waterbury, of Westchester, New York, That: —

I. The National Cordage Company is a Corporation of the State of New Jersey, organized under an act of the Legislature, entitled “An Act Concerning Corporations,” approved April 7th, 1875, and the several supplements thereto, by a Certificate of Organization, bearing date the 18th day of July, 1887, and recorded on the 20th day of July, 1887, in the office of the Clerk of the County of Hudson, and afterwards on the same day filed with the Secretary of State at Trenton.

II. The principal office of the said Corporation in this State, as stated and set forth in the said certificate of Organization, is in Union Township, in the County of Hudson, and the said Corporation has also an office in the City of New York, and offices elsewhere throughout the United States. The authorized Capital Stock of said Corporation, as fixed by the said certificate, is two million, five hundred thousand (\$2,500,000) dollars, divided into twenty-five thousand (25,000) shares of the par value of one hundred (\$100) dollars each.

III. The objects for which said Corporation was formed are to manufacture and sell cordage and binder twine, and any and all other similar commodities, and for other purposes as will more fully appear by reference to the said Certificate of Organization, a true copy whereof is annexed to this bill, and marked “Schedule A,” and hereby made a part of this bill of complaint.

IV. The said Corporation was organized on or about the 20th day of July, 1887.

V. The capital stock of said Corporation was afterwards, at different times, increased, the last increase of capital being made on the 10th day of December, 1892, when the said stock was increased to the sum twenty-five million (\$25,000,000) dollars, of which five million (\$5,000,000) dollars was preferred stock, and twenty million (\$20,000,000) dollars was common stock, all of which is now outstanding.

VI. Soon after the organization of the said Corporation, it enters upon the manufacture and sale of Cordage and other business provided for in the Certificate of Organization, and has since continued to prosecute said business in the States of New Jersey, New York, Massachusetts, Ohio, Pennsylvania, and Illinois, in all of which States it is now operating cordage and binder twine mills, with the exception of the State of New Jersey, its mill in that State having been destroyed by fire, and the said Corporation has real or personal property in all of the States above mentioned.

VII. Your orator, James M. Waterbury, is President of said Corporation, and a stockholder thereof, holding upwards of one thousand (1,000) shares.

VIII. On the 4th day of May, 1893, a debt of fifty thousand (\$50,000) dollars, due on demand to the National Park Bank of the City of New York, was demanded and called of the said The National Cordage Co., and was dishonored and default made in payment thereof, because said Corporation had not sufficient funds to pay the same.

At ten o'clock on the morning of the 5th of May, 1893, there will become due and be demanded of the said Corporation, debts aggregating about one hundred and thirty-five thousand (\$135,000) dollars, which said Corporation is not able, for lack of funds, to pay.

On the 6th day of May, 1893, debts will mature, amounting to about three hundred and seventy-six thousand (\$376,000) dollars, and on the 8th day of May debts will mature to the amount of about forty-one thousand (\$41,000) dollars, and daily thereafter until the 31st day of May, 1893 debts will mature, which, together with those above stated, will in all amount to more than ten hundred thousand (\$1,000,000) dollars.

IX. The said Corporation will make default upon in payment of the said maturing debts, upon the above mentioned dates for lack of funds to pay the same and without the expectation of receiving from any source, funds to pay the same.

X. In addition to the above mentioned indebtedness, said corporation has commercial paper and other indebtedness outstanding, exceeding two million (\$2,000,000) dollars, which indebtedness matures during the months of June, July, August, September, and October.

XI. The assets of said Corporation consist of cordage mills owned by or leased to the said Corporation in the several States above

mentioned, together with raw stock and manufactured stock of cordage and binder twine on hand, and in process of manufacture, the value of which it is impossible for your orator to accurately state, or even to approximately estimate at this time. The said Corporation also has assets consisting of books accounts and bills receivable, to a considerable amount, which mature at divers dates from May to November, 1893, the greater part of the same maturing not earlier than the month of September, 1893. The said Corporation also owns certain stocks of Corporations, owning and operating some of said cordage mills. The assets of the said Corporation are not available at this time for the payment of the indebtedness of the Corporation, or for the raising of money to pay such indebtedness, and the Corporation is therefore utterly unable to meet its obligations, as they mature from this time, and has no prospect of being able to meet the same, or to resume its business within a short time hereafter, and the Corporation is, in fact, insolvent.

XII. The greater part of the assets of said Corporation are outside of the State of New Jersey, and are likely to be attached by creditors in the State of New York and elsewhere, on the ground that the Corporation is a foreign corporation. An attachment has already been threatened in the City of New York, for a matured debt, and your orator verily believes that unless a receiver is speedily appointed for the equal protection of the creditors, other attachments will be issued in different States to the great embarrassment of the operations of the Company and wasting of its assets, and that preferences will be obtained by certain creditors, which ought not, in equity, to be obtained.

IN TENDER CONSIDERATION WHEREOF, and to the end that The National Cordage Co., who are the defendants in this suit, may answer all and singular the premises fully and particularly as if the same were herein again repeated and they particularly interrogated, and that the said Corporation may be declared insolvent by the order of this Court, and that a receiver or receivers may be appointed, with full power and authority to demand, sue for, collect, receive and take unto their possession, all the goods, chattels, rights and credits, monies and effects, lands and tenements, books, papers, choses in action, bills, notes and property of every description belonging to the said Corporation at the time of their insolvency or suspension of business, and to sell, convey or assign all the said real or personal assets, and to pay unto a Court of Chancery, all the monies and securities for

May it please your Honor, the premises considered, to grant unto your orator, not only the State's most gracious writ of injunction to be directed to the said The National Cordage Company, its officers and agents, restraining them in manner and form aforesaid, but also the State's writ of subpoena, issuing out of and under the seal of this honorable Court, directed to the said The National Cordage Company, therein and thereby commanding them to be and appear before your Honor, in this honorable Court, upon a day and under a penalty therein to be expressed, to answer all and singular the premises, and to stand to, abide and perform such decree as your Honor shall make herein, and your orator will ever pray, etc.

Solicitors for and of Counsel with Compl.

State of New York }
City and County of New York } ss:

George Weaver Loper, of full age, being duly sworn of oath, says that he resides in the City of New York, and is the Treasurer of the National Cordage Company, New Jersey Corporation, defendant in the foregoing bill of complaint, that he has heard the foregoing bill of complaint read and is familiar with facts therein stated. That all said facts with reference to the formation of said corporation, its purposes, the amount of its stock and its business and property are true of his own knowledge. That a debt of \$50,000 due on Call by said corporation to the National Park Bank of the City of New York was demanded on call and became due and payable on May 4th, 1893, and payment thereof was refused and default made therein, because of the lack of sufficient funds of said corporation to pay the same. Further debts of said corporation will mature on May 5th, 1893,

amounting to not less than \$135,000, and default will be made in the payment thereof, because of lack of funds to pay the same. On May 6th, 1893, further debts of said corporation will mature amounting to not less than \$376,000, and default will likewise be made in the payment thereof for lack of funds. Daily thereafter during the month of May, debts will mature.

The total amount of which said indebtedness maturing from May 4th to May 31st is more than one million (\$1,000,000) dollars. The corporation is also indebted in amounts which will mature from day to day during the months of June, July, August and September in 1893, exceeding \$2,000,000.

The corporation is without funds to meet the said indebtedness or any considerable part thereof, and has no assets which are readily convertible into money and has no reasonable prospect of being able to meet its obligations after this date. The assets of said corporation consist of several cordage mills, owned or operated at least in the several States mentioned in the bill of complaint and all the cordage and twine manufactured and in manufacture, and in process of manufacture, the value of all which it is impossible at this time to estimate or to even approximate.

That the corporation also has certain assets, consisting of open accounts receivable and bills receivable, the greater part of which mature in September, October and November, 1893, and a very small part of which is available for the raising of money at this time. The securities of said company which are available for the raising of said money are already pledged and hypothecated for debts due by the corporation. The corporation cannot pay its maturing obligations and has no means of raising money to pay the same and is in fact unable to pay its debts and is insolvent.

Subscribed and sworn to at New York City
May 4th, 1893, before me the subscriber
a Notary Public in and for the County
of Kings in the State of New York,
certificate filed and I duly authorized
to act in the City and County of New
York as witness my hand and seal of
office.

G. WEAVER LOPER.

CHAS. E. BORDEN,
(L.S.) Notary Public, Kings Co., Certif. Filed N.Y. Co.

City of New York
State and County of New York } ss.

JAMES M. WATERBURY, being duly sworn on his oath says,
That he resides at Westchester in the State of New York, and is
the President of The National Cordage Company, a Corporation
of New Jersey: that the principal business offices of the Company
are in the City of New York.

Deponent has heard the foregoing bill read, and the facts and matter
as therein stated with reference to The National Cordage Company
are true of deponent's knowledge. He has also heard read the fore-
going affidavit of GEORGE WEAVER LOPER, Treasurer, and says that
the statements therein contained are true.

Deponent further says that said Corporation and its officers have
endeavored to raise money to meet all maturing obligations of the
Corporation and find it utterly impossible to do so, and the Corpora-
tion has no money or available assets or means of raising money where-
with to meet such obligations.

Deponent further says that at a meeting of the Board of Directors
held this day in the City of New York, it was unanimously resolved
that the deponent should have prepared and presented to the Chan-
cellor bill of complaint, praying an injunction and receiver because
of the insolvency of said Corporation, and with a view of preserving
the assets of the Company for the equal benefit of all its creditors.

JAMES M. WATERBURY.

Subscribed and sworn to at New York City this May Fourth, Eighteen
Hundred and Ninety Three before me, a Notary Public of the State
of New York. Witness my hand and official seal.

CHAS. E. BORDEN,
(L.S.) *Notary Public, Kings Co., Certif. Filed N.Y. Co.*

AN ACCOUNT OF THE FAILURE OF THE NATIONAL CORDAGE COMPANY AS GIVEN IN A NEWSPAPER AT THE TIME

Upon the application of President James M. Waterbury of the National Cordage Company, Chancellor McGill of New Jersey last night appointed two receivers for the trust. The appointments were made at 10.30 at the Chancellor's house in Jersey City. The receivers are E. F. C. Young, President of the First National Bank of Jersey City, and G. Weaver Loper, Treasurer of the trust. It was a friendly proceeding based on a defaulted note for \$50,000 lying at the National Park Bank, and the company's officials represented that it is solvent, but short of money. Receivers will be appointed in four other States.

This application, the full details of which will be found elsewhere, closed the proceedings of the most exciting day Wall street has seen since the Baring panic.

The street is taking its share of the object lesson which, according to all accounts, it is the desire of the Administration that the whole country should receive as to the evil effects of the Sherman Silver law in order to secure its repeal. It is hardly necessary to add that Wall street needs no education upon this issue. In speaking of Secretary Carlisle's manifesto intimating his intention to suspend gold payments on Treasury notes when the gold balance of the Treasury should fall below \$100,000,000, a prominent banker said a few days after its publication that the most conspicuous effect of Mr. Carlisle's first important official utterance was a suspension of discounts throughout the United States. To be sure, the business community has recovered a little from the tremendous shock that Secretary Carlisle gave it, but it will be a long time before the damage inflicted can be repaired.

The preceding statements are essential to a correct understanding of yesterday's exciting events in and about the Stock Exchange. There is excellent authority for the statement that when the banks all over the country were constrained by Secretary Carlisle's vague, yet alarming manifesto to curtail their accommodations to the business community, that the ability of the National Cordage Company to

place its bills receivable and other commercial paper was cut down to the extent of \$2,000,000.

This company, owing to what has proved to be a most unfortunate omission, was not provided when it was organized with an amount of working capital adequate for the conduct of its business. As set forth in an official statement of the company, published last Sunday, the cordage business requires an immense amount of capital during nine months of the year, which comes back to it during the summer months. This capital is used for the purchase of raw material and the manufacture of binder twine, which is marketed only during the harvest season.

The Treasurer of the company is authority for the statement that about \$7,000,000 is required to conduct this branch of its business. Before the industry was concentrated as at present each concern borrowed money for this purpose on its own responsibility. Now the financing of very nearly the entire industry devolves upon a single corporation, the National Cordage Company, and in consequence the same names appear upon a vast amount of paper.

As soon as the Cordage Company felt the contraction of credit which Secretary Carlisle had precipitated, its managers, somewhat tardily, it must be confessed, formulated a plan for providing permanent working capital. It was laid before the public last Sunday, together with the reasons that made the proposition necessary. Wall street did not take kindly to it, for in the first place it disclosed a fact that many people were ignorant of, namely, that the Cordage Company is a large borrower of money; in the next place it was argued that the proposition would not have been broached at this time, when the market for securities is narrow and weak, had not necessity compelled such a course.

The fact that the \$2,500,000 of preferred stock which was to be offered to the stockholders had been underwritten counted for very little in the estimation of the street. Neither did the argument that the additional issue of stock would not increase fixed charges of the company, but simply result in the interest on that amount being paid to stockholders instead of to money lenders. The circumstances that the street attached importance to were that the company was widely extended and was in urgent need of more money. Hence the continuous selling of National Cordage since Monday morning, which has carried the price down from 57 to 20 at the close yesterday, a net decline of 37 points.

This movement has thwarted the intentions of the managers of the company. They had hoped by supporting the prices of the common and preferred stocks of the company to induce the shareholders to take the new preferred stock and thus provide the company with needed funds. At the same time there is reason for believing that the efforts of President James M. Waterbury and his associates to make a market for the new issue of stock have seriously impaired their ability to take that stock themselves. Again, the new issue of stock was underwritten by a syndicate at par, and it is considered doubtful whether those members of the syndicate who are financially able to take the stock can be induced to take their respective interests, now that the preferred stock is selling 30 points below the price at which they underwrote it.

Wall street did not see all of these things at a glance yesterday morning, but it did see the moment that business was resumed on the Stock Exchange that there was foundation somewhere for the ominous rumors of financial embarrassment that filled the street Wednesday afternoon. On the stock tape and on the official sales sheet the first transaction in Cordage was printed, 3,000 shares at 37 to 28. This means that the transactions at the start were at prices so wide apart that as many of them as could be reported in the intense excitement that prevailed were at various prices between the two figures given. The next sale reported was at 27, then $26\frac{1}{2}$ and in a few moments the price rallied to $28\frac{1}{2}$, but the rally did not hold. Stock came pouring in, and the pressure to sell regardless of price was so great that only one conclusion was possible, namely, that imperative liquidation on an enormous scale was taking place.

A small portion of Wall street had learned overnight of at least one quarter from which an announcement of insolvency might be expected, but to the majority the announcement by the Chairman of the Stock Exchange a few minutes after 10 o'clock of the inability of Henry Allen and Co. to meet their engagements was a surprise. For some time past that firm has been doing an extraordinarily large business on the floor of the Exchange, and the general impression was that it had made a great deal of money. It was very active in the big break in Distilling and Cattle Feeding last winter, and was generally supposed to favor the short side of the market. It appears, however, that a short time ago the firm undertook large operations for President James M. Waterbury of the National Cordage Company

and some of his associates, and the indications are that they were the principal brokers for the so-called Cordage pool.

The first rap of Chairman Mitchell's gavel when he called the Exchange to order to announce the failure of Messrs. Allen and Company caught the attention instantaneously of every broker on the floor. Every one was expecting a failure, and the moment the call to order began a certain feeling of relief that at last something definite was to be known, possessed the nervous, excited crowd. In less time than it takes to tell it all business was suspended, while several hundred brokers bunched themselves closely in front of the rostrum, in painful expectancy of the bad news that was to come. The letter of the unfortunate firm was brief and couched in the language usually employed in announcing such events. The moment the name was read there was a wild rush for telephones and to offices to communicate the news, for so great has been the strain upon the speculative community the last few days that what was construed to be the beginning of the end was welcome.

Less than a full minute elapsed between the suspension of business and its resumption, and the impetuous haste to sell stocks appeared to have been intensified by this trifling interruption. This was evidence enough to the experienced broker that the liquidation was not yet over. Hence, other confessions of insolvency were momentarily expected. They were not long delayed. The first was that of B. L. Smyth and Company, a firm that has been identified with the placing of the bonds of the Security Company, a corporation subordinate to the National Cordage Company; and soon after that Mr. Schuyler Walden, for many years active upon the floor of the Exchange announced his inability to meet his obligations.

In the mean time the street learned that all the failures were due to the inability of some of the Cordage people to make good their accounts, and in consequence it was rumored that Mr. James M. Waterbury himself had made an assignment. This was officially denied, and financial statements were sent out by the news agencies that the National Cordage Company was in no way involved through the misfortunes of its managers.

These, however, were of no avail in restoring confidence. With occasional rallies of a point or two Cordage common sank lower and lower, until shortly before the close 100 shares sold at 18 $\frac{3}{4}$. The final sale was at a recovery of a point and a quarter to 20, at which price it showed a net decline for the day of 17 points.

The semi-panic in National Cordage affected the entire Industrial group. Sugar Refining was traded in to the extent of nearly 100,000 shares, and after selling at 83 closed at $6\frac{3}{8}$ per cent lower than on Wednesday, at 84. General Electric was another conspicuously weak stock, selling down to $79\frac{1}{2}$ and rallying only half a point at the close. It sustained a net loss of $8\frac{1}{2}$ per cent. American Cotton Oil was more extensively traded in for a long time and closed 3 per cent lower. There was not much doing in United States Rubber, yet enough to carry the price down nearly 4 per cent. Distilling and Cattle Feeding was affected least of all, for the reason that it had its decline a few months ago.

The railroad stocks came in for their share of the liquidation, though in the Granger stocks, in which the trading was heaviest, many brokers were of the opinion that the selling was chiefly for account of prominent bear operators. The decline in these stocks, particularly St. Paul, attracted buying for European account. After the close of business foreign arbitrage houses estimated that they had purchased in the aggregate fully 25,000 shares of railroad stocks, not only for London, but for some of their correspondents on the Continent.

London has been buying stocks now for three or four days, and has taken during that period possibly 60,000 shares. This buying was about the only encouraging development yesterday, for it indicates that the bargain hunters abroad are beginning to realize that some stocks are cheap, and are willing to put their money in them, even if investors here are reluctant to do so. Another good feature today was a weak and lower market for sterling exchange. That was due partly to the purchases of securities referred to, and also to a flurry in the money market, during which the rate for call loans ran up to 20 per cent. The bulk of the business, however, was done considerably below that figure. Stock brokers appeared to have no trouble in securing whatever accommodations they wanted, provided they could offer fairly good collateral. The activity in money was due chiefly to the shifting of loans, resulting from the unsettled feeling that prevailed.

There were no rumors yesterday, as there were on Wednesday, reflecting on the insolvency of financial institutions, but the Street was strongly of the opinion late in the afternoon that the affairs of the National Cordage Company were in such a condition that its executive officers had lost their heads. However that may be, a

number of bankers and officers of financial institutions were in conference during the day with the officers of the Cordage Company. Their object was to find out the exact condition of the company's finances and also its needs, with the view of rendering such assistance as might be necessary or expedient to finance the company. Late in the afternoon it was decided that the best course to pursue was to place the company in the hands of receivers.

The difficulty in adjusting the financial affairs of the National Cordage Company results from the various complications between it and its subordinate organizations. This may be understood when it is explained that the Cordage Company buys all the raw material for the various concerns which it controls, and all of which still preserve their original identity. It also sells their product. Each concern, therefore, makes its own obligations for material received, and they are endorsed by the National Cordage Company or some of its officers. Again, the paper of the National Cordage Company has been endorsed by the various auxiliary concerns and by various directors. A banker familiar with the financing of the company said yesterday that the notes now outstanding are as various as to their makers and endorsers as the use of ten or a dozen different names will permit. The amount outstanding is understood to be \$4,000,000 or \$5,000,000 and it is held largely in New England. A few of the banks of this city held a good deal of it, but they are large, strong institutions.

In the circumstances a definite statement as to the relations between the National Cordage Company and the Security Company is important. After the National Cordage Company was formed its managers wished to secure the control of a large number of its competitors. To that end the Security Company was formed and bought up the concerns referred to by an issue of its bonds. Then it leased the concerns to the National Cordage Company, which guarantees the principal and interest of the bonds, which, though debentures, are practically a first mortgage upon all of the properties thus combined.

The bonded debt of the Security Company was originally \$6,000,000, but it has been reduced somewhat by the operations of a sinking fund. Its capital is small, being \$350,000, and a part of it is held by the Cordage Company. This operation was conducted through the Manhattan Trust Company, of which Mr. John I. Waterbury is President. He, however, is in no way related to the President of the National Cordage Company, nor has the Trust company any

interest in the affairs of the Cordage company or those connected with it, except as trustee of the Security company's bonds.

After the Stock Exchange closed a much easier feeling developed, because a number of firms that were understood to be in difficulty had not failed; besides, it was fairly well understood among bankers that it would be necessary to place the Cordage Company in the hands of receivers to protect its creditors.

A number of bank officers and others, who were cognizant of this, expressed the opinion that Wall street had seen its worst day for the present. Of course, the natural inquiry was as to whether any other concern would be found to be in the condition similar to that which has forced the Cordage Company into the hands of the courts.

THE CORDAGE RECEIVERSHIP

Loper Appointed at the Suggestion of Drexel, Morgan and Company

A Sun reporter learned early yesterday evening that an application was about to be made to Chancellor McGill in Jersey City for the appointment of a receiver for the Cordage company. The reporter found the Chancellor at his home in Barrow street at 9 o'clock. Chancellor McGill said that no application had been made, but that he had received a request from Lawyers Collins and Corbin of Jersey City to remain at home last night, as they had some business of importance to submit to him. The reporter informed the Chancellor what the nature of the business would probably be, and when a party of lawyers called at the house about 9.30 to make the application, he surprised them with the information that he knew all about it.

In the party were ex-Mayor Collins of the firm of Collins and Corbin, Lawyer R. V. Lindabury of Elizabeth, Lawyer John L. Cadwalader of this city, James M. Waterbury, President of the Trust, and George W. Loper, its Treasurer.

Mr. Cadwalader and Mr. Collins made formal application for the appointment of two receivers, one in New Jersey and the other in this State, and suggested the names of Edward F. C. Young, President of the First National Bank in Jersey City, and George W. Loper.

The Chancellor was a little surprised that the appointment of Mr. Loper should be asked for, but it was explained to him that Mr. Loper was thoroughly familiar with the business. A letter from Drexel, Morgan and Company was also submitted to him. That firm represents the majority of the creditors, and they requested that if the

Chancellor could find it consistent to do so he appoint Mr. Loper, on account of his familiarity with the company's affairs.

The lawyers explained to the Chancellor why the receivers were asked for. The concern, they said, is solvent and its assets equal, if they do not exceed, the liabilities; but the assets cannot be realized upon in time to meet maturing obligations. A note for \$50,000 held by the National Park Bank of this city fell due yesterday and could not be met. Another note for \$135,000 falls due today, and there is no money to meet it. Notes aggregating \$2,000,000 will mature before the end of this month.

The officers of the company, after consultation with Drexel, Morgan and Company decided to put the concern in the hands of receivers, in order to avoid trouble. The proceedings are entirely friendly.

The Chancellor appointed Messrs. Young and Loper, and fixed their bonds at \$200,000 each. As it was necessary to have the bondsmen qualify at once the Chancellor appointed Lawyer Flavel McGill as Master in Chancery to prove the bonds. A messenger was sent to his house, and as he lives on the same block it took only a few minutes to get him to the Chancellor's. At about a quarter before 11 o'clock Chancellor McGill affixed his signature to the paper appointing Messrs. Young and Loper receivers of the big Trust. The party then hastened to the Hotel Washington, where Mr. Young was waiting with his bondsmen, Freeman A. Smith and John Mullins.

The Cordage Trust is capitalized at \$25,000,000. It controls twenty-five cordage plants in six States. Application will be made at once in the other four States to have receivers appointed.

The Cordage Company was organized two years ago under the laws of New Jersey for the importation of hemp and the manufacture and sale of cordage. At one time the properties owned and controlled by the company were forty-nine in number, and were situated in many States and in Canada. The original capital stock was \$10,000,000 common and \$5,000,000 preferred. In January it was announced that the company would issue \$10,000,000 common stock to the stockholders as a scrip dividend of 100 per cent to represent about \$11,000,000 of assets acquired by the company since its formation. Several days ago the company announced its intention to issue \$2,500,000 additional preferred stock. It has been understood all along that the company had a sterling credit with Drexel, Morgan and Company for \$2,500,000, and for almost a like amount with Ladenburg, Thalmann and Company. The directors are James M. Waterbury (Presi-

dent), John A. Tucker, G. Weaver Loper, Chauncey Marshall, E. R. Brinckerhoff, Charles L. Atterbury, Frank T. Wall, John C. Furman, and Elisha M. Fulton, Jr.

It was ascertained from the note brokers that the Cordage people have been large borrowers on commercial paper endorsed by the directors. It is estimated that there is anywhere from \$500,000 to \$2,000,000 of this paper out, some of it representing the bills receivable of the company. These bills receivable were negotiated through banks in New England, which took them in batches of \$100,000.

The paper of the directors and the bills receivable have also been floated in the West with the McCormick Reapers Company of Chicago especially. The note brokers, however, said that the directors took up many loans of this kind yesterday. — *The New York Sun*, May 5, 1893.

EXPRESSIONS OF OPINION IN BANKING CIRCLES
AT TIME OF FAILURE OF NATIONAL
CORDAGE COMPANY

The consensus of opinion in Wall street was that none of the banks were in danger, and that the panic had reached its height. At the same time all admitted that the situation was one of great uncertainty.

H. B. Hollins, of H. B. Hollins and Company said:

"Wall street has gone through a rather severe panic which has not been equalled since 1884. The stringency of the money market has been confined more particularly to the commercial world than to Wall street itself, owing to the fact that the banks in times like these prefer to lend their money upon collateral which is payable on demand, for the collateral can be sold. To-day's market was of course due to the complications of the Cordage people. As I understand it, it is simply a question of one or two individual operators, and the Cordage Company is in no way affected. Nevertheless, these matters always take a few days to clear up, and in the excitement of a market of this kind, the banks naturally calling for proper margins, many weak people are compelled to sacrifice their holdings.

"I think the worst has passed, however, and that things will resume a normal condition. While many good dividend-paying securities are selling much below their value, which has induced good buying by outside parties, still the street cannot recover immediately. All danger of further liquidation, except so far as may concern the men interested in the specialty above named, seems to be over."

President Henry W. Cannon, of the Chase National Bank, was not quite so hopeful. Asked whether the banks were calling in loans on merchants, or whether they were demanding additional collateral, he said:

Thinks the Currency Question Responsible

"There is nothing very unusual in the money market. The margins on loans have been well kept up through the day, and so far as I know there has been no disposition on the part of the banks to crowd borrowers. I see no reason why rates should be raised. The banks are well prepared for any emergency, and I do not think rates will be

materially advanced, although some belated borrowers may have to pay high rates."

"Are any stocks being discriminated against in loans?"

"I think the banks are loaning pretty generally on mixed collaterals as usual, although there may be some discrimination against some of the industrial securities which have fluctuated very widely."

"Has the bottom been reached or do you anticipate a still greater panic?"

"In a number of instances to-day investors have come to the market, purchased stocks for cash and taken them away. It is, of course, difficult to predict what trend prices may take, but many prominent people are of the opinion that a reaction will take place and better prices prevail."

"What is the cause of the present situation?"

"It is difficult to ascribe any specific cause, but, as is well known, the public have been troubled about the currency and monetary conditions. This feeling has developed a lack of confidence which has culminated in a desire to realize on securities and led to the present disturbed condition of affairs."

"Are any of the banks threatened with serious trouble?"

"Quite the contrary. I think they are in a very strong condition."

Views of Clews

"The break in Cordage," said Mr. Clews, "exemplifies the erratic character of a large class of our people and goes to show that if they are only given enough rope they will hang themselves. The action of the managers of the cordage company a few days ago in deciding to issue \$2,500,000 of preferred stock for working capital of the company was a notice to Wall street such as Napoleon gave when disaster overtook him on the field of Waterloo. Everybody who held any of the stock has been running for dear life to save himself. Hence the slump in prices."

President King of the Union Trust Company, No. 80 Broadway, said it was difficult to say whether the panic had reached its height. He believed, however, that it had nearly if not quite done so.

"The great cause that underlies this disturbance," he said, "is the apprehension that there will be a change from the gold standard to a silver standard. If the country could have any assurance that the Sherman Silver bill would be repealed, and no other silver legislation substituted — that we had gone as far as we intended in the purchase

of silver — confidence would revive and we should be able to conduct our business on a much more healthy and prosperous basis.”

A Panic and that is all

President Simmons, of the Fourth National Bank, declined to discuss the situation in detail.

“We’re in a panic,” he said, “and that’s all we can say just now. We all hope there will be an improvement after this large liquidation, but, of course, we can’t tell anything about it with any degree of certainty.”

President Tappen, of the Gallatin National Bank, No. 36 Wall street, when asked if his institution was calling in loans on merchants, replied that on the contrary it had been lending money yesterday.

“We have not raised our rates,” he said, in reply to another question. “We haven’t loaned a dollar at over 6 per cent.”

Mr. Tappen said he believed that the panic was over, but added that it was impossible for any one to tell. — *New York World*, May 5, 1895.

Mr. John Good is reported as saying that the first proposition he would make for the reorganization of the National Cordage Company is to advance prices to 11 cents on Manila and 9 cents on Sisal. He says the chief cause of failure was manufacturing below cost since the John Good contract was broken. The latter was to have \$200,000 a year for stoppage of works, and the National Cordage had an option upon the company’s patents for \$7,000,000.

In Kansas City, May 10, William Deering and Company, manufacturers of Chicago, through their attorneys, levied attachment upon 1,250,000 pounds of binding twine, the property of the National Cordage Company. The twine is in the possession of the Kansas City branch of the concern. It was attached by the Deerings to secure a debt of \$100,000. — *56 Chron.* 793, May 13, 1893.

FIRST REORGANIZATION CIRCULAR

NEW YORK, June 21st, 1893.

To the Creditors and Stockholders of the National Cordage Company:

The undersigned have been requested to act as a Reorganization Committee to investigate the affairs of the National Cordage Company and to devise a plan for its reorganization. They report as follows:

Their examination into the affairs of the Company leads the Committee to believe that the chief impediment to the financial success of this Company has been that of lack of adequate working capital. This did not present itself as a practical difficulty to the stockholders or directors so long as the commercial and financial markets remained in a normal condition, except that it has obviously increased the Company's expenses, and, to a certain extent, diverted the attention of the officers and directors from the management of the manufacturing business of the Company.

The great prosperity of the business, also, and the experiments attending its formative period, have induced a scale of expenditure, both in purchases and in management, which may be avoided in the future.

But special conditions of the money market, well understood by all parties in interest, confronted this Company about May 1st, 1893. At this time of the year stocks of merchandise in this business are always largest; the distributing season for binder twine had just arrived; large amounts of money were required to ship this twine and to sell it on time payments; the Company was more extended than at any other period of the whole year, and the most active season for all the other products of the Company was setting in. At this time, therefore, when the Company most needed large amounts of capital, the condition of the money market made it impossible for the Board of Directors of the National Cordage Company to find sufficient capital for the renewal of maturing obligations.

Under these prevailing conditions, the sale of additional preferred stock, as approved by the Board of Directors in a resolution dated

April 29th, 1893, was also found to be impracticable. The emergency thus created called for prompt and radical action. Therefore, on May 4th, 1893, it was decided by the Directors and various creditors and stockholders of the Company that the Company must be put in the hands of the receivers, to protect alike the interests of creditors and stockholders.

The Chancellor of New Jersey appointed Edward F. C. Young and G. Weaver Loper as receivers of the Company. After the receivers had qualified, they addressed the following communication to the principal creditors and some large stockholders of the Company:

“ Dear Sirs:

“ The undersigned, receivers of the National Cordage Company, find it highly desirable, in their efforts to protect the
“ property for the benefit of all concerned, that some committee
“ representing the creditors and the parties interested should be
“ appointed to confer with them as to questions of policy, and
“ to further some steps for the ultimate reorganization of the
“ affairs of the Company.

“ We therefore address you, understanding that you have
“ some interest directly or for others in these matters, and
“ express our strong desire that steps should be taken in the
“ direction indicated.

“ Yours truly,

“ (Signed) E. F. C. YOUNG,

“ G. WEAVER LOPER,

“ Receivers.”

In response to this letter, a meeting, called together by the receivers, was held on the 8th day of May, at which there was unanimously appointed as a Reorganization Committee Mr. George C. Magoun, of Baring, Magoun & Co.; Mr. Ernst Thalmann, of Ladenburg, Thalmann & Co., and Mr. Gustav H. Gossler, of G. Amsinck & Co. At this meeting also, the presidents of three of the largest New York Banks consented to act as an advisory committee, in conjunction with the Reorganization Committee.

The firm of Messrs. Deloitte, Dever, Griffiths & Co., chartered accountants, of London, England, and New York, was employed to make a thorough investigation of the books of the Company.

At the same time an investigation was begun, and is now in progress, concerning the physical condition and value of the various properties and the legal status of the Company. This latter investigation is not yet concluded, but the importance of keeping the business going by a prompt reorganization is so great as to induce the committee not to await the completion of this investigation before recommending action by stockholders and creditors.

PRESENT CONDITION OF THE COMPANY

The increase of the production of the various mills is shown by the books of the Company to be as follows:

POUNDS OF ROPE AND BINDER TWINE MADE

Year ending October 31, 1890,	43,411,725 pounds.
do. do. 1891,	74,704,835 do.
do. do. 1892,	130,315,156 do.
Six months, ending April 30, 1893, ..	80,777,197 do.

ASSETS AND LIABILITIES

Messrs. Deloitte, Dever, Griffiths & Co. have just finished their preliminary examination, and the Committee refer to their report on the annexed sheet.

As to the present financial condition of the Company, their report shows that the book value of all assets (after writing off the amounts recommended by the Committee) amounts to \$25,732,517.89, and that the liabilities (exclusive of capital stock), amount to \$11,986,417.71. Among these assets are included twenty mills and plants, all going concerns, of which eight are held under lease from the security corporation. The transaction of increasing the common stock from \$10,000,000 to \$20,000,000, as shown by the records of the Company, has not yet been carried into the books of account. When this shall have been done, an increase in the book value of assets will be shown.

Whatever may be the result of the appraisalment now in progress, the Committee is of the opinion that such result will show the value of these assets, as assets of a going concern, to be very considerably in excess of the amount of the liabilities.

If, however, on account of the refusal of the stockholders to assent to the present plan of reorganization, or for other reasons, it should

become necessary to liquidate the affairs of the Company at once, the Committee is unable, at the present stage of their investigation, to express an approximate opinion as to the result.

The books and accountants' statement shows that dividends were declared and paid to stockholders as follows:

For the year ended Nov. 1st, 1891,	\$1,300,000
do do do 1892,	1,450,000
do six months ended May 1st, 1893,	800,000

The Committee have not thought it advisable to attempt to state a profit and loss account for the past six months, because this would involve a stoppage of the business of the various mills for the purpose of taking an inventory, and because a detailed examination of the books of the various concerns would involve a further delay of several weeks in the proposed reorganization, and because the present, and perhaps temporary, low price of raw materials would probably not fairly represent at the moment the real condition of the Company.

As a matter of abundant precaution, however, the Committee has recommended a reduction of the book estimate of the value of merchandise assets and other items, to the extent of \$1,501,000, which represents a reduction in value accruing since the end of the last fiscal year, and especially since the appointment of receivers. They made this reduction before reaching the figures which they have hereinbefore stated as approximately representing the condition of the Company.

To Messrs. GEORGE C. MAGOUN,	} <i>Reorganization</i>
ERNST THALMANN,	
GUSTAV H. GOSSLER,	

Committee.

GENTLEMEN:

We have had submitted to us the Treasurer's Books and Vouchers of the National Cordage Company, and from an examination of them and with the information afforded us by the Officials of the Company we find that, exclusive of the book values of the Real Estate, Plant, and Good-will, etc., the Assets on the evening of the 4th May, 1893, amounted to \$10,463,657.13, the details of which appear on the attached Statement of Assets, and their value is subject to our Notes thereon.

We find the value of the Real Estate, Plant, and Good-will, etc., as recorded in the Books of Account, to be \$14,931,360.76 and the amount paid on account of the purchase of the Security Mills to be \$337,500.00, but we cannot form any opinion as to the true value of these Assets.

The Security Mills were leased to the Company, November 1st, 1891, from the Security Corporation, under a lease providing for a rental of \$360,000 per year, and a sinking fund of \$225,000 per year to apply upon the purchase price of the property, as representing which purchase price \$6,000,000 in bonds were issued by the Security Corporation and secured by a mortgage to the Manhattan Trust Company. By the payment of \$337,500, three hundred and fifty-three bonds have been purchased and cancelled.

The Liabilities, as they appear on the Books and Records of the Company under date of 4th May, 1893, amount to \$11,986,417.71, and we have obtained a Certificate from the Treasurer that all known Claims are included in that amount.

From the following Statements, and subject to our Notes and Remarks contained thereon, the Liabilities are in excess of the Assets by \$1,522,760.58; this result, however, is before taking into consideration the value of the Real Estate, Plant, Machinery, Good-will, etc., etc., and the Security Mills, which, according to the original entries in the Books of Account, together aggregate the sum of \$15,268,860.76.

We are, Gentlemen,

Your obedient servants,

DELOITTE, DEVER, GRIFFITHS & Co.,
Chartered Accountants.

4 LOTHBURY, LONDON, E. C.
AND

69 WALL STREET, NEW YORK CITY.

10th June, 1893.

ASSETS			
Particulars		Assets Pledged	Total Assets
Cash and Bank Balances, at Central Office, and at Agencies, as acknowledged by the Bankers and Agents			\$47,965.43
Cash deposited with the Old Colony Trust Company, viz., \$10,000.00, as acknowledged by them, and a cash loan of \$15,000.00			25,000.00
<i>NOTE: — The Loan of \$15,000 is unsecured.</i>			
Open Accounts, including an amount of \$413,-842.29 due from the Chicago and Pittsburgh Agencies, as per the Agents' latest statements and advices.		\$143,000.00	822,200.30
<i>NOTE: —</i>			
<i>The Open Accounts, amounting to \$408,-358.01, have every appearance of being recoverable in full, and we are assured that such is the case.</i>			
Unearned Premiums of Insurance on Hemp Cargoes, as per Policies, and balance of Insurance due for Salvage, since paid.			43,601.64
Value of Claims for Allowances on the purchase of Hemp, Freight Overcharges, Customs Drawbacks, and Railroad Shortages, etc., as estimated by the Treasurer of the Company.			21,500.41
Notes Receivable: —			
Given by Sub-Companies	\$879,562.31	497,475.47	
Other Notes	143,276.24	16,500.00	
	<u>\$1,022,838.55</u>		1,022,838.55
<i>NOTE: —</i>			
<i>On the 31st May, 1893, the Notes in the possession of the Company and submitted to us amounted to</i>			
	\$460,430.41		
<i>The Notes out for Collection, as recorded in the Books, amounted to</i>			
	27,576.68		
<i>The Notes due and paid to the Receivers and recorded in the Receivers' Books amounted to</i>			
	20,855.99		
Carried forward	\$508,863.08	\$656,975.47	\$1,983,106.33

Particulars	Assets Pledged	Total Assets
Brought forward	\$508,863.08	\$656,975.47
<i>And the Notes Pledged to Bankers, for which we have their acknowledgment, amounted to</i>		\$1,983,106.33
	513,975.47	
	<u>\$1,022,838.55</u>	
<i>The Ordinary Trade Notes, amounting to \$143,276.24, appear to be good and recoverable, and none of them are overdue.</i>		
Balance due from Note Brokers for the sale of Notes given by the Sub-Companies, as per statements rendered by them.		138,596.00
<i>NOTE: —</i>		
<i>Of the balance due from Note Brokers, viz.: \$138,596.00, the collection of \$134,679.49 is dependent upon the solvency of the Eastern Mills, which went into the hands of Receivers on the 8th May, 1893. It is, however, fair to state in regard to this that the Eastern Mills would be solvent if this Company discharged its indebtedness to them, the amount of which is included in the Statement of Liabilities.</i>		
Stock of Manila, Sisal and New Zealand Hemp and Rope, and Stock of Binder Twine, the Market Value of 4th May, 1893, being certified to by the President and the Treasurer of the Company.	4,896,935.05	7,189,407.42
<i>NOTE: —</i>		
<i>The Inventory prices are subject to Market fluctuations from day to day, but the President and Treasurer of the Company state that this same Stock of Merchandise at 10th June, 1893, would not represent a sum less than \$7,189,407.42.</i>		
Stock of Merchandise at Pittsburgh and London Agencies, as per the Agents' Statements.		1,221.16
Payments on account of Manila Hemp Shipments, as per Invoices and Bills of Lading, and Insurance on Cargoes, as per Marine Insurance Policies.		329,917.29
Carried forward	\$5,553,910.52	\$9,642,248.20

Particulars	Assets Pledged	Total Assets
Brought forward	\$5,553,910.52	\$9,642,248.20
Investments (At Cost): —		
Security Bonds	\$366,025.00	344,000.00
Hoover & Allison Twine Company	60,000.00	
	<u>\$426,025.00</u>	426,025.00

NOTE: —

These Investments have been taken at Cost, and the Treasurer of the Company has certified that they are not overvalued at \$426,025.00.

Indebtedness of Mills controlled by the Company.	395,383.93
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NOTE: —

The value of this Debt is subject to the Assets of each Mill being in excess of its Liabilities, and there is no complete evidence in this respect, as we have not seen the Books of these Mills

\$5,897,910.52 \$10,463,657.13

LIABILITIES

Particulars	Amount of Collateral Security	Total Liabilities
Hemp Acceptances against Shipments and Sterling Acceptances.		\$1,209,723.81
Collateral Loans, including accrued Expenses to 4th May, 1893.		5,596,705.66
Secured by Merchandise.	\$4,896,935.05	
“ Security Bonds.	344,000.00	
“ Book Debts.	143,000.00	
“ Notes Receivable.	513,975.47	
Notes Payable: —		
Company's own Paper discounted,	\$541,000.00	
Atlantic Mutual Insurance Co.,	56,010.60	
	<u>\$597,010.60</u>	597,010.60
Due on Open Accounts, including an amount of \$425,882.39 for Manufacturing Contracts and interest accrued to 4th May, 1893, on the Security Bonds.		957,603.67
Carried forward.....	\$5,897,910.52	\$8,361,043.74

Particulars	Amount of Col- lateral Security	Total Liabilities
Brought forward	\$5,897,910.52	\$8,361,043.74
Due to Mills controlled by the Company:—		
For their Notes given to and sold by the Company	\$3,029,486.70	
Excess of Credit Balances on the several Mill Accounts in the Company's Books over the Balances due by the Mills to the Company	595,887.27	
	<u>\$3,625,373.97</u>	3,625,373.97

NOTE:—

The Liabilities of this Company to the several Mills would be increased if the off-set of Balances due by the Mills to the Company proved to be irrecoverable on account of the Assets of each Mill being less than its Liabilities, and there is no complete evidence in this respect as we have not seen the Books of these Mills

\$5,897,910.52 \$11,986,417.71

SUMMARY

ASSETS (page 65),	\$10,463,657.13
BOOK VALUE OF REAL ESTATE, PLANT, MACHINERY, GOODWILL, ETC., ETC., AND PAYMENTS ON ACCOUNT OF SECURITY MILLS,	15,268,860.76
TOTAL ASSETS, subject to the foregoing remarks,	\$25,732,517.89
TOTAL LIABILITIES,	11,986,417.71
	<u>\$13,746,100.18</u>

The Committee find, on examination of the accounts, that prior to October, 1891, sundry operations in merchandise, of a more or less speculative character, and not likely to occur again, were made, which resulted in loss to the Company. It is due, however, to state that some of the Directors who advocated such transactions, voluntarily made good the loss so sustained at about the time it occurred, so that the Company itself has not been the loser thereby.

The Committee do not find that any funds of the Company have been employed in any stock or other speculations other than those above mentioned.

As the result of their preliminary investigation, the Committee feel justified in expressing the following

ESTIMATE OF THE FUTURE OF THE BUSINESS

They are of the opinion that the business of the Cordage Company, under prudent and conservative management, and with the additional working capital recommended by them, can be made to produce very satisfactory results, sufficient for the payment of interest on the bonds proposed to be issued and for the payment of dividends upon the proposed preferred stock, and for the payment, in good years, of satisfactory dividends upon the common stock.

In this connection, they call attention to the fact that the payments for interest for the year ending October 31st, 1892, alone, amounted to \$430,102.56, and for the six months ending May 1st, 1893, \$269,250.43.

The anticipated saving upon this item of interest alone would pay the interest on the proposed bonds and a portion of the dividends on the preferred stock. It is just to add that the principal officers and directors of the Company, being largely interested in it, have never received any salaries.

The Committee therefore submit the following

SUGGESTIONS

With a view to certain proposed changes in the business management of the Company, the number of the Board of Directors should be increased, and a majority of the present directors should resign, to make room for new members of the Board, to be approved by the Reorganization Committee and by the United States Trust Company of New York.

This having been done, radical changes and reduction of expenses in many departments can be advantageously effected, new business methods, especially in the financial department, introduced, unnecessary offices abolished, concentration of management secured, and provision made for the protection and promotion of the business interests of the Company in all directions, whether this business be continued by the present organization, or by a new organization to be formed.

The Committee especially recommends that the financial part of the business should be put under the management of a finance

committee in charge of this department of the business at the Home Office, as well as at branch offices.

In order to continue the business of the Company, money must be provided,

- (1.) To pay its existing debts;
- (2.) To supply it with adequate working capital.

The simplest method for providing these necessary funds is by the voluntary action of the stockholders and creditors of the Company. If the stockholders and creditors decline to co-operate in procuring these funds, the Company can continue its business only by incurring a very considerable additional debt, which would make its stocks of doubtful value, or by a judicial sale of its properties to or for the benefit of a new company, freed from some of the present obligations, or by proceedings to assess stockholders.

If the reorganization which the Committee suggests be carried out, the following, generally speaking, will be

THE PURPOSES OF THE PLAN

- (1.) To fund and extend a portion of the present debt by means of bonds to be issued;
- (2.) To supply an adequate working capital, mainly by the voluntary contributions of stockholders;
- (3.) To deliver to stockholders as a consideration for these contributions preferred stock of the Company at par;
- (4.) To acquire such additional properties as the stockholders and the Reorganization Committee may hereafter deem to be desirable in the interests of the Company.

To carry out these purposes, the Committee proposes the following:

PLAN

1. The National Cordage Company (or some successor corporation) will issue collateral trust first mortgage bonds having thirty years to run, secured by a mortgage on all the mortgageable property of the National Cordage Company (or its successor corporation), including its lease from the Security Corporation, to an amount not exceeding Six Million Dollars, bearing six per cent. interest,

with a sinking fund of three per cent. per annum after 1895. One Million Dollars par value, or so much as may be necessary, of these bonds will be retained by the trustee, subject to the order of the Board of Directors evidenced by a vote of at least two-thirds in number of the Board, for the purpose, among other things, of paying off existing prior liens on the Union Mills. Five Million Dollars par value of these bonds, or so much thereof as may be deemed necessary by the Committee, will be sold and the proceeds used, among other things, in paying off the existing debts of the Company, or will be delivered to present creditors of the Company in satisfaction of those debts, in full or in part. The bonds will be so sold or paid at the price or rate of 85%.

As many as possible of these Five Million Dollars par value of bonds will be underwritten by a guaranty syndicate at 85%, for a commission of 5%.

Before being offered for sale elsewhere, or to the creditors in payment of debts, the whole of these bonds will be offered to the stockholders for subscription at 85%.

The stockholders of the Company, both preferred and common, will have the right, until and including July 11th, 1893, to subscribe for these bonds at this price. If the issue should be oversubscribed by the stockholders, allotments will be made pro rata in the proportion which their respective holdings of stock bear to the total capital stock, both preferred and common, of the Company.

2. For the purpose of delivery to contributing stockholders, the preferred stock of the National Cordage Company now amounting to \$5,000,000, will be increased to \$8,000,000. This increased issue will have the same privileges as the present preferred stock.

Each preferred stockholder will pay to the Reorganization Committee, or its nominee, at such times and in such amounts as the Reorganization Committee shall designate, a sum of money equal to twenty per centum of the par value of their holdings of preferred stock, and will receive in exchange for such payments preferred stock of the Company at par.

Each common stockholder will pay to the Reorganization Committee, or its nominee, at such times and in such amounts as the Reorganization Committee shall designate, a sum of money equal to ten per centum of their holdings of common stock of the Company, and will receive in exchange for such payments preferred

stock of the Company at par. If any of the holders of common stock prefer not to pay this sum in cash, they can make their contribution by assigning to and delivering to the Reorganization Committee, or its nominee, to be used for the purposes of the reorganization, certificates for fifty per centum par value of their respective holdings of common stock, but, in this event, they will receive no preferred stock for their contribution.

If, under this plan, it becomes necessary to provide for fractions of shares, either in the distribution of new Preferred Stock, or the payment of contributions in Common Stock, then the Reorganization Committee will make such adjustments, through the Trust Company, by the delivery of script receipts redeemable in stock, when such receipts shall be presented and surrendered in lots of \$100 or any multiple thereof in par value.

3. If the Stockholders do not unanimously consent to the foregoing plan, or do not consent with sufficient unanimity to satisfy the Reorganization Committee, then the Reorganization Committee will take such measures, either by increasing the debt of the present Company, or by winding up the affairs of the present Company, selling out its assets, and organizing another company for the purchase of these assets and the continuance of the business of the National Cordage Company, or otherwise, as they think advisable. The Stockholders who assent to such plan and become parties to such reorganization agreement, however, will occupy substantially the same relative position and will have a corresponding interest in the reorganized Company or in the new Company, as is herein proposed; *but the stockholders of the National Cordage Company, whether preferred or common, who do not assent to such plan and become parties to such reorganization agreement will not be represented in and will not have any right or interest in such reorganized or new company.*

The Committee cannot too strongly urge all interested parties, both creditors and stockholders, to co-operate in this plan of reorganization. The properties must be kept together, and the rights of creditors and stockholders preserved and protected by keeping the assets intact and carrying on the business. It is equally clear that the shareholders, both preferred and common, must agree to make such proper contribution for working capital as the circumstances of the Company demand. A prompt acceptance of

this plan by all parties will avoid troublesome litigation between creditors and stockholders and will very materially increase the future value of their property.

GEORGE C. MAGOUN, }
ERNST THALMANN, } *Reorganization*
GUSTAV H. GOSSLER, } *Committee.*

REORGANIZATION AGREEMENT

THIS AGREEMENT, made this nineteenth day of June, 1893, by and between Frederick W. Vanderbilt, Joseph J. O'Donohue, Charles H. Senff, James M. Waterbury, and all others in like interest who sign this agreement or a duplicate thereof, or who deposit as hereinafter provided their certificates of Preferred Stock in the National Cordage Company, hereinafter called the Preferred Stockholders, parties of the first part, and Work, Strong & Co., Washington E. Conner, Decker, Howell & Co., Woerishoffer & Co., and all others in like interest who sign this agreement or a duplicate thereof, or who deposit as hereinafter provided their certificates of Common Stock in the National Cordage Company, hereinafter called the Common Stockholders, parties of the second part, and George C. Magoun, Ernst Thalmann and Gustav H. Gossler, of the City, County and State of New York, hereinafter called the Reorganization Committee, parties of the third part, and the United States Trust Company of New York, as trustee, hereinafter called the Trust Company, party of the fourth part, WITNESSETH:

WHEREAS, receivers of the National Cordage Company have been appointed by the Court of Chancery of the State of New Jersey upon the ground of the insolvency of that company, and the affairs of that company are in such a condition as to make it essential for the continuance of its business and the protection of its stockholders and creditors that the said National Cordage Company should either obtain additional capital to the amount of from Five to Seven Million Dollars in order to pay its existing debts and to provide it with adequate working capital, or that it should be reorganized through the medium of said receivership or of this agreement, or otherwise, or that it should be dissolved and its business and affairs liquidated and its property sold for the benefit of its creditors and stockholders;

AND WHEREAS, the said National Cordage Company has already entered into negotiations with certain of its stockholders and creditors and members of the Reorganization Committee looking to the procurement of such additional capital or other reorganization of its affairs;

AND WHEREAS, the parties of the first part are holders and owners of Preferred Stock in said National Cordage Company, and the parties of the second part are holders and owners of Common Stock in said company, and both said parties of the first part and second part wish to co-operate with each other and with all others in like interest who elect to co-operate with them for the purpose of a reorganization of the affairs of said National Cordage Company;

AND WHEREAS, the Reorganization Committee, having been requested to examine into the conditions of the affairs and business of the said National Cordage Company and to suggest a plan for accomplishing the purposes aforesaid, have made the following suggestions, to wit:

SUGGESTIONS OF THE REORGANIZATION COMMITTEE

In the opinion of the Committee the business of the National Cordage Company is a valuable one which should be continued. To do this money must be provided for the company, (1) to pay its existing debts; (2) to supply it with adequate working capital, which it has not heretofore had. The simplest method for providing these necessary funds is by the voluntary action of the stockholders and creditors of the company.

If the stockholders and creditors decline to co-operate in procuring these funds, it can continue its business only by incurring a very considerable additional debt, which would make its stocks of doubtful value, or by a judicial sale of its properties to or for the benefit of a new company, freed from some of the present obligations, or by proceedings to assess stockholders.

The purpose of this Reorganization Committee is to reorganize the affairs of this company so that its present indebtedness shall not be appreciably increased and so that a portion of it shall be funded and extended, and so that it shall be provided with what, in the judgment of the Committee, is an adequate working capital for its future needs, and so that, this having been done with the co-operation and contribution of the stockholders, the stock of both classes shall have a greater intrinsic value than at present. The purpose of the Committee is that the stockholders who contribute under this plan shall receive ample consideration for their contributions of money,

and shall at the same time materially increase the value of their present holdings.

Generally speaking,

THE PURPOSES OF THE PLAN

are:

(1.) To pay the existing debts with first mortgage and collateral trust bonds (or their proceeds) secured by a first mortgage on all the mortgageable property of the company, including its lease from the Security Corporation.

This would not increase the amount of its present indebtedness, but would fund it and postpone the date of its payment.

(2.) To provide adequate working capital for the business of the company by the sale of bonds and by voluntary contributions from both the Preferred and Common stockholders, who are to receive Preferred Stock of the Company, dollar for dollar, for the amount so contributed by them.

(3.) To acquire such additional properties as the stockholders and the Reorganization Committee may hereafter deem to be desirable in the interests of the Company.

PLAN

(1.) The National Cordage Company (or some successor corporation) will issue collateral trust first mortgage thirty year bonds, secured by a mortgage on all the mortgageable property of the National Cordage Company (or its successor corporation), including its lease from the Security Corporation, to an amount not exceeding Six Million Dollars, bearing six per cent. interest, with a sinking fund of three per cent. per annum after 1895. One Million Dollars par value or so much as may be necessary of these bonds will be retained by the trustee for the purpose, among other things, of paying off existing prior liens on the Union Mills. Five Million Dollars par value of these bonds, or so much thereof as may be deemed necessary by the Committee, will be sold and the proceeds used, among other things, in paying off the existing debts of the company, or will be delivered to present creditors of the company in satisfaction of those debts, in full or in part; the bonds will be so sold or paid at the price or rate of 85%.

As many as possible of these Five Million Dollars par value of bonds will be underwritten by a guaranty syndicate at 85%, for a cash commission of 5%.

Before being offered for sale elsewhere, or to the creditors in payment of debts, the whole of these bonds will be offered to the stockholders for subscription at 85%.

The stockholders of the company, both Preferred and Common, will have the right, until and including July 11th, 1893, to subscribe for these bonds at this price. If the issue should be oversubscribed by the stockholders, allotments will be made pro rata in the proportion which their respective holdings of stock bear to the total capital stock, both Preferred and Common, of the company.

(2.) For the purpose of delivery to contributing stockholders, the Preferred Stock of the National Cordage Company, now amounting to \$5,000,000, will be increased to \$8,000,000. This increased issue will have the same privileges as the present Preferred Stock.

Each Preferred Stockholder will pay to the Reorganization Committee, or its nominee, at such times and in such amounts as the Reorganization Committee shall designate, a sum of money equal to twenty per centum of the par value of his holdings of Preferred Stock, and will receive in exchange for such payments Preferred Stock of the company at par.

Each Common Stockholder will pay to the Reorganization Committee, or its nominee, at such times and in such amounts as the Reorganization Committee shall designate, a sum of money equal to ten per centum of his holdings of Common Stock of the company, and will receive in exchange for such payments Preferred Stock of the company at par. If any of the holders of Common Stock prefer not to pay this sum in cash, they can, in lieu thereof, make their contribution by assigning to and delivering to the Reorganization Committee, or its nominee, to be used for the purposes of the reorganization, certificates for fifty per centum par value of their respective holdings of Common Stock, but, in this event, they will receive no Preferred Stock for such contribution.

If, under this plan, it becomes necessary to provide for fractions of shares, either in the distribution of new Preferred Stock or in the payment of contributions in Common Stock,

then the Reorganization Committee will make such adjustments, through the Trust Company, by the delivery of script receipts redeemable in stock when such receipts shall be presented and surrendered in lots of \$100 or any multiple thereof in par value.

Bonds and proceeds thereof will be used in paying Company's debts and for working capital; contributions of Stockholders will be used for working capital.

(3.) If the Stockholders do not unanimously consent to the foregoing plan, or consent with sufficient unanimity to satisfy the Reorganization Committee, then the Reorganization Committee shall take such measures, either by increasing the debt of the present company, or by winding up the affairs of the present company, selling out its assets, and organizing another company for the purchase of these assets and the continuance of the business of the National Cordage Company, or otherwise, as they think advisable. The stockholders who assent to such plan and become parties to such reorganization agreement, however, will occupy substantially the same relative position and have a corresponding interest in the reorganized company or the new company as is herein proposed; but the stockholders of the National Cordage Company, whether Preferred or Common, who do not assent to such plan and become parties to such reorganization agreement will not be represented in and will not have any right or interest in such reorganized or new company.

AND WHEREAS, it is the desire of the parties hereto that the business and affairs of the National Cordage Company should be reorganized, and that it should continue in business if the necessary cooperation of its stockholders can be obtained, or that otherwise its business should be continued by a reorganized or new company, as suggested by the Reorganization Committee;

AND WHEREAS, the Reorganization Committee are willing to use their best efforts to carry out a plan for the reorganization of the affairs and business of the National Cordage Company and the continuance of its business either by that corporation or by some reorganized or new corporation;

NOW, THEREFORE, the parties hereto, in consideration of the premises, and of one dollar each to the other in hand paid, the receipt

whereof is hereby acknowledged, and of the promises and agreements hereinafter set forth, have promised and agreed, and do hereby promise and agree, to and with each other as follows:

FIRST. That they, the Preferred Stockholders, parties of the first part, will forthwith cause their and all of their certificates for Preferred Stock in the National Cordage Company to be assigned and transferred to and deposited with the United States Trust Company of New York, as trustee, for the purposes of the reorganization hereinafter provided for, and will simultaneously with such deposit pay to said Trust Company, as such trustee, and on or before the tenth day of July, 1893, a sum of money equal to ten per centum of the par value of the shares so deposited and will on or before August tenth, 1893, pay to said Trust Company as such trustee, a further sum of money equal to five per centum of the par value of the shares so deposited, and will also on or before September tenth, 1893, pay to said Trust Company, as such trustee, a further sum of money equal to five per centum of the par value of the shares so deposited. All of such money to be held and disposed of by said Trust Company subject to and upon the order of said Reorganization Committee.

SECOND. That they, the Common Stockholders, parties of the second part, will forthwith cause their said certificates of Common Stock in the National Cordage Company to be assigned and transferred to and deposited with the said United States Trust Company, as trustee, for the purposes of the reorganization hereinafter provided for, and that simultaneously with such deposit and on or before July tenth, 1893, they will pay to said Trust Company, as such trustee, a sum of money equal to five per centum of the par value of their shares of stock so deposited, and that on or before August tenth, 1893, they will also pay to said Trust Company, as such trustee, a further sum of money equal to five per centum of the par value of their shares of stock so deposited; or that if they fail to make said payments to said Trust Company, the deposit of the certificates for their said shares of stock shall operate as an authority and direction to said Trust Company to absolutely assign fifty per centum in value of their and each of their shares so deposited, freed from any trust, so far as said Trust Company is concerned, to the Reorganization Committee, to be used for the purposes of said reorganization (which authority is hereby expressly conferred upon said Trust Company), all of such money to be held and dis-

“ and conditions of the above-described agreement, and to be used
 “ for the purposes therein stated by the Reorganization Committee
 “ therein named, or a majority of them, or their successors, and the
 “ holder and owner hereof, whether the original holder or owner,
 “ or the assignee or successor in title or interest to or in the same,
 “ or any thereof, or any right or interest therein, or thereunder,
 “ assents to and is bound by the provisions of said agreement by
 “ receiving this certificate. The holder hereof is entitled upon
 “ the payment of \$ _____ to receive his proportionate
 “ share of all the securities, benefits and advantages coming to the
 “ depositors respectively of said shares of stock under said agree-
 “ ment.

“ The interest represented hereby is, subject to the terms hereof,
“ assignable by the holder hereof, in person or by proxy, by transfer
“ upon the books kept by this company for that purpose, upon the
“ surrender of this certificate.

"UNITED STATES TRUST COMPANY OF NEW YORK.

“By

“ Secretary.

"New York, 1893."

"The total payment of cash to be made by the holder hereof
"to United States Trust Co. of New York is \$

"Received \$ _____ of said sum of \$ _____

"UNITED STATES TRUST CO. OF NEW YORK.

“by

"Received \$ _____ of said sum of \$ _____

"UNITED STATES TRUST CO. OF NEW YORK.

“by

“ Received \$ _____ of said sum of \$ _____

“UNITED STATES TRUST CO. OF NEW YORK.

“by

Upon receipt of the said shares of stock, said Trust Company shall from time to time on demand execute and deliver to said Reorganization Committee a proxy or proxies authorizing and entitling said Reorganization Committee or any one of them, or their or any of their successors, to vote for all purposes upon said shares of stock, and all of them, during the continuance of the trust hereby created as fully as said Trust Company, as the holder and owner thereof,

could vote, or, at the option of said Reorganization Committee, said Trust Company shall, so far as able to do so, and in any lawful way, at all times vote upon said shares of stock or any of them as directed by said committee, and shall as such stockholder, execute and deliver and revoke such consents for the increase or decrease of the capital stock, either common or preferred or both, and for the creation, issuance and sale of bonds or debentures or both, and for the mortgaging or pledging or both of the property or any part thereof of said company as shall be directed by said Reorganization Committee.

FOURTH. Dividends declared and paid by the said National Cordage Company upon the said shares of stock transferred and deposited as aforesaid, or any other beneficial interest to which said deposited shares are entitled, shall be received by the said Trust Company and distributed within five days after the receipt thereof, at the office of the said Trust Company, pro rata to any holders of said certificates of deposit applying therefor, but upon the express condition that all sums of money herein agreed to be paid by said applicant or by his assignor shall have been first paid in full.

FIFTH. Upon the termination of this agreement and the trust hereby created, the holder of any such certificate of deposit shall be entitled to receive from the said Trust Company, upon the surrender of his certificate of deposit, his proportional share of all stock and other securities, benefits or property which shall have been received or acquired by said Trust Company by virtue of its holding of the said shares of stock deposited with it under this agreement, and which, in accordance with the plan of reorganization to be carried out as hereinafter mentioned, are distributable among the stockholders.

SIXTH. The said Reorganization Committee shall with all convenient speed, after the deposit of said shares of stock of said National Cordage Company, representing a majority in amount of all the shares of stock of said company under this agreement, proceed, under advice of counsel employed by them, to formulate a detailed plan for the reorganization of the affairs of the said National Cordage Company and of the mode in which the property held or controlled by it shall be administered in accordance with the law, and such Reorganization Committee shall forthwith proceed to take all such steps as may be necessary for carrying out and giving

effect to the reorganization of said business in accordance with such plan, including, if they deem it best, the dissolution of the said National Cordage Company, the liquidation of its affairs, the sale of its property, the organization of any corporation or corporations, association or associations, and the purchase of such properties or such interests as shall be provided in and by the said plan.

SEVENTH. Each person being the holder of said shares of stock in said National Cordage Company and signing this agreement as one of the parties of the first part, or of the second part, and placing his said shares of stock in the trust hereby created, and each person so depositing his said shares of stock, although he may not have signed this agreement, by such deposit, and by receiving the certificate of deposit in exchange therefor, and each assignee of such certificate hereby appoints and authorizes and fully empowers the said Reorganization Committee, as the agents and attorneys of the holders of such shares of stock respectively, to consent to and carry out such plan of reorganization, as shall in their discretion be adopted by them, and such Reorganization Committee, its agents and attorneys, are hereby fully authorized to take any and all proceedings and steps at law or in equity, or otherwise, in their absolute discretion, as they may be advised, for the protection and interest of said shares.

EIGHTH. Upon said shares of stock so deposited with the United States Trust Company, that company, as the owner and holder thereof, shall act in all matters and take or defend any proceedings, legal or otherwise, for, if, and as it may be directed by said Reorganization Committee, and each assignee or successor in title or interest of such depositor shall take, subject to such power and authority; and in any legal proceedings instituted or which may be instituted in the course of or pending the completion of such reorganization, or which may be deemed advisable by said Reorganization Committee, the said Trust Company shall, as the owner and holder of said shares of stock, deposited with and transferred to it, intervene and act for and in all respects as it may be requested by said Reorganization Committee, but neither the said Reorganization Committee nor said Trust Company shall be bound to take any legal or other proceedings, nor to do any act hereunder, without being adequately indemnified against loss or expense, and said Trust Company shall incur no liability for anything done or permitted hereunder at the request or direction of said Reorganization Com-

mittee, nor for anything whatever hereunder not arising from its own willful default.

NINTH. On any sale of the property or any portion thereof held by the said National Cordage Company, the Reorganization Committee is authorized to purchase the same or any part thereof, upon such terms as it deems wise, and so far as it deems wise, and to apply in payment therefor the portion of the proceeds of such sale or sales coming or applicable to the said shares of stock so deposited with the United States Trust Company, and the United States Trust Company shall, by receipts, releases or assignments, or by surrender or cancellation of such shares of stock, or by other use of such shares of stock, or money received by said Trust Company in connection with said reorganization, or money payable to the holders thereof or otherwise, enable the Reorganization Committee to make payment upon such sale or sales by such use of said certificates. The property so purchased shall be conveyed and assigned to said United States Trust Company in trust, to be held and disposed of by it for the purposes of said reorganization, in accordance with the direction of said Reorganization Committee.

TENTH. Prior to the completion of such reorganization, the Reorganization Committee shall have power to release from this agreement the parties of the first and second parts hereto, subject to liabilities theretofore incurred by the Reorganization Committee hereunder, provided, however, that such release, if made, shall be of all said parties of the first and second parts, and upon such release being made in writing and deposited with the United States Trust Company, said Trust Company shall re-transfer to the respective holders of its receipts or certificates the shares so transferred to it or the number of shares represented thereby, on presentation and surrender of its said respective receipts and certificates.

The deposit of such release shall, *ipso facto*, entitle the said Reorganization Committee to an accounting, discharge and release hereunder as hereinafter provided.

ELEVENTH. Said Reorganization Committee is hereby authorized to incur any necessary or proper expenses in the course of the reorganization or any proceedings hereunder, whether for their own services, or expenses, or commissions in the sale of the property or securities, or counsel, or for the services, expenses or counsel fees of the United States Trust Company, or of others officially or otherwise assisting in said reorganization, or otherwise, as the

Reorganization Committee may deem wise, and to fix the amount of their own compensation for their services hereunder, and the amount of such expenses as approved by the Reorganization Committee shall be first paid from money or property which would otherwise be payable to or distributable among the parties of the first and second parts, as holders of said Trust Company's certificates, or to the United States Trust Company as the holder of the certificates so as aforesaid deposited with it.

The Reorganization Committee shall be entitled at any time to a settlement and discharge in respect to their proceedings which shall have been theretofore had, and Edward King, President of The Union Trust Company of New York, and Louis Fitzgerald, President of The Mercantile Trust Company of New York, and John I. Waterbury, President of The Manhattan Trust Company of New York, of the City of New York, and their successors in their respective offices, or any two of them, are hereby constituted the irrevocable representatives of the parties of the first and second parts, their executors, administrators and assigns, holders of, or entitled to the said certificates or any of them, or to any interest or right thereunder, to and with full authority to pass upon and finally adjust the accounts of the said Reorganization Committee, and thereupon to give to its members a full release and discharge.

TWELFTH. All actions of the said Reorganization Committee shall be binding and effectual, notwithstanding that members thereof may be personally interested in or may also act as Directors of said National Cordage Company, or of any committee of the said Board of Directors, provided that no action shall be taken by the said Reorganization Committee which shall discriminate between the parties of the first part or between the parties of the second part to this agreement, whether they shall have become such by executing the same or by depositing, as aforesaid, but such action shall be for the equal benefit of all in the proportions of their interest, as defined in said plan of reorganization.

All powers requisite or, in the opinion of the Reorganization Committee, desirable, to accomplish the objects of this agreement, are hereby conferred upon the Reorganization Committee, in addition to those specially enumerated, including the power to add to its membership such person, persons, corporation or corporations, as it may deem advisable, who and which, when so added, shall

have the same powers as those hereby conferred upon said Reorganization Committee.

For all the purposes herein contemplated, the action of a majority of the members at the time being constituting the Reorganization Committee, shall constitute the action of the committee, and have the same legal effect as the unanimous action of the committee.

Any member of said Reorganization Committee may at any time resign by giving written notice to the other members. Vacancies so created, or created by death or otherwise, may be filled by the remaining members of the committee, or by two-thirds in number of such remaining members, by appointment in writing, such appointee or appointees to have the same powers and duties as the members of the committee herein specifically named. No member shall be responsible except for his own acts.

Each and every of the parties of the first and second parts hereto expressly covenants and agrees each for himself, his executors, administrators and assigns, to and with the said Reorganization Committee, that he will fully and in all respects carry out and perform this agreement on his or their part, and in the event of occasion to enforce against any parties to or depositors under this agreement, any of the provisions hereof, or to pursue any remedy against such party or depositor, the Reorganization Committee are hereby especially constituted Trustees and Agents of the other depositors and certificate holders or owners, present or future, for that purpose, and to that end all the rights and interests of all the other depositors and certificate holders or owners, present or future, in the premises, shall be and they are hereby assigned and transferred to and vested in the Reorganization Committee.

THIRTEENTH. It is further expressly understood and agreed that said Reorganization Committee shall make a fair and reasonable effort to carry out some such plan of reorganization as that referred to in their suggestions hereinbefore recited, but that if for any reason said Reorganization Committee shall fail to carry out some such plan of reorganization, it is the intention of this agreement to confer upon said Reorganization Committee unlimited powers and absolute discretion to carry out or attempt to carry out any other plan of reorganization or any other adjustment of the affairs of this Company, which they shall deem to be for the best interests of said depositors, whether or not such plan shall be the one first formulated by said Reorganization Committee under their said suggestions.

This agreement may be executed in as many parts as the parties hereto may agree upon, any one of which originals shall be equally with the others, evidence of the agreement of the parties hereto.

IN WITNESS WHEREOF, the parties of the first and second part have hereunto set their hands and seals and the number of shares respectively deposited by them hereunder, and the parties of the third part have hereunto set their hands and seals, and the party of the fourth part has caused its corporate seal to be hereunto affixed attested by its Secretary, and signed by its

, the day and year first above written.

ABSORPTION OF THE SECURITY CORPORATION AT TIME OF REORGANIZATION

Whereas, the properties of the said Security Corporation are at present under lease to the National Cordage Company, as specified in an indenture of lease made the second day of November, 1891, between the Security Corporation, the National Cordage Company and the Manhattan Trust Company; and

Whereas, since the making of said lease, the National Cordage Company has become insolvent, and on the fourth day of May, 1893, Receivers thereof were appointed by the Chancellor of New Jersey; and

Whereas, the creditors and stockholders of said National Cordage Company thereafter appointed Messrs. George C. Magoun, Ernst Thalmann, and Gustav H. Gossler, a Reorganization Committee to devise and carry out a plan for the reorganization of the affairs of said National Cordage Company; and

Whereas, it is proposed, that as a part of said reorganization, the business heretofore conducted by said National Cordage Company shall in the future be conducted by a reorganized or successor corporation; and

Whereas, said Reorganization Committee, while fully cognizant of the value of the properties of the Security Corporation, have expressed their unwillingness to recommend to such reorganized or successor corporation the assumption of said existing lease or the making of a new lease upon the same terms, stating that they consider the yearly payments, and particularly the sinking fund payments, under the present lease, too burdensome and creating too large a fixed charge upon such reorganized or successor corporation;

But, Whereas, said Reorganization Committee have expressed their willingness to recommend to such reorganized or successor corporation, the creation and issue of its six per cent. guaranteed stock to an amount not exceeding six million dollars, to be redeemable at any time at the option of the company, at 105, on which guaranteed stock a fixed yearly dividend of six per centum per

annum, payable quarterly, shall be paid by said corporation, out of the profits of the business of said corporation, before any dividends shall be set apart or paid upon any other stock of said company, but which guaranteed stock shall be entitled to no other or further dividend; the holders of such guaranteed stock to have priority in case of liquidation over the holders of the preferred stock of said corporation; such guaranteed stock to be issued for the purchase of said bonds or some part thereof, or of said leased property or of some part thereof, or of other property, so as ultimately to be exchanged for said security bonds, at par, said bonds, after such exchange, to be cancelled if all of said bonds shall be so exchanged, or if not all, or substantially all so exchanged, to be held, sold, transferred, or otherwise disposed of, subject to the order of said Reorganization Committee, and as it shall deem to be for the best interests of said reorganized or successor corporation, for the purpose, among other things, of ultimately acquiring title to said mortgaged property, all obligations of said Committee to said depositors being in all respects fulfilled by the delivery of said shares to said depositors.

Now, Therefore, we, the undersigned, owners or holders, or both, of the first mortgage consolidated gold bonds of the Security Corporation to the amounts set opposite our respective signatures hereto, which bonds are secured to be paid by an indenture of mortgage dated the second day of November, 1891, between said Security Corporation and the Manhattan Trust Company of the City of New York, hereby severally consent and agree with the other signers hereof, and with said Reorganization Committee, and with the National Cordage Company, and with said reorganized or successor corporation, each in consideration of the consent and agreement of the other signers hereof, and of one dollar to each of us in hand paid by the others of said signers, and of other valuable considerations:

I. That all of the bonds so held or owned by us and each of us shall, upon the demand of said Reorganization Committee, be deposited with the Manhattan Trust Company, in trust, in exchange for suitable receipts entitling the holder thereof to receive an amount of said guaranteed shares at par, when said shares shall have been received by said Trust Company, equal to the par value of the bonds so deposited, and said bonds are hereby transferred to the said Reorganization Committee, in trust, for the purposes herein ex-

pressed, and we, the signers hereof, hereby severally make, constitute, and appoint said Committee, or any two of them, or their successors, our and each of our true and lawful attorneys, for us and each of us, and in our respective names, places, and stead, and until the first day of January, 1894, to exercise all the powers and control conferred upon bondholders by said mortgage and by said lease, or by either, either in requesting, notifying, or directing the trustee of said mortgaged property, or otherwise, in all respects with like effect as if we were personally acting.

II. Upon the receipt of said shares of guaranteed stock by said Manhattan Trust Company to be so exchanged, said Reorganization Committee is hereby authorized and empowered as the agents and attorneys-in-fact of the signers hereof and of each of them, to assent to and arrange for the cancellation, modification, or any other disposition of said lease from said Security Corporation to said National Cordage Company, and of the said mortgage so made to secure said bonds; to cause the said bonds so deposited to be cancelled, and the mortgage securing the same to be satisfied of record; to agree with said Security Corporation for the conveyance and transfer by it, free from the lien of said mortgage, of all or any part of the property covered thereby, including the good-will, to said National Cordage Company, or to said reorganized or successor corporation, in consideration of the cancellation of said bonds, the issue of said stock, or for such other consideration as said Committee may think proper; or, in case the whole of said issue of bonds shall not be deposited, to hold, sell, or otherwise dispose of, so many of said bonds as shall be so deposited, and to make such arrangements concerning the cancellation, modification, or other disposition of said lease and said mortgage, or either of them, as they may deem best. And said Reorganization Committee is hereby further authorized and empowered to take such steps, enter into such contracts, and do such things as may in their judgment be necessary or proper for carrying out the arrangement proposed by them and hereinbefore recited, whether by taking the action hereinbefore specified, or otherwise, as they may deem proper; provided, however, that before taking any steps which shall deprive the signers hereof of their ownership of said bonds, or which shall alter or cancel the lien of the mortgage securing the same, the Manhattan Trust Company shall have received said shares of guaranteed stock for delivery in exchange for said bonds as hereinbefore recited, and said reor-

ganized or successor corporation, in said certificates of stock, or otherwise, by suitable contract, shall have agreed that no mortgage or other lien prior or superior to the lien of such guaranteed stock shall hereafter be created upon the Mills or plant of said reorganized or successor corporation by it or with its consent (except, first, to provide for existing liens on said properties, and, second, to secure the Bonds proposed to be issued as a part of the pending reorganization, the amount of which bonded issue is not yet fully determined, but which is not to exceed \$7,500,000), without the consent of the holders of 80 per cent. in value of said guaranteed stock, and of the preferred stock of said reorganized or successor corporation. It is the intention of this instrument to confer upon said Committee full and absolute powers to cancel, modify, or otherwise dispose of said indenture of mortgage and lease, and of the property of every sort covered thereby in such manner and to such extent as they shall deem to be for the best interests of said National Cordage Company, or of said reorganized or successor corporation, provided, that said shares of stock are delivered to the signers hereof as herein provided. Delivery to the Manhattan Trust Company subject to the order of the signers hereof, shall constitute an effective delivery of said shares within the meaning hereof.

For all the purposes herein contemplated, the action of a majority of the members for the time being constituting said Reorganization Committee, as provided in the Reorganization Agreement of June 19th, 1893, shall constitute the action of the Committee, and have the same legal effect as the unanimous action of the Committee.

III. This agreement shall become binding upon the signers hereof as soon as the owners or holders of two million five hundred thousand dollars, par value, of said bonds, now outstanding, shall have signed the same, and shall continue binding upon the signers hereof, until and including the first day of January, 1894. If the arrangement above outlined shall not have been carried out prior to that date, or if this agreement, shall not have been signed prior to November 1st, 1893, by the owners or holders of at least two million five hundred thousand dollars, par value, of said bonds, then, and in either of said events, said bonds shall thereupon be returned to the depositors, and this agreement shall thereupon cease, determine, and become null and void.

In Witness Whereof, we have hereunto set our hands, this.....
day of October, 1893.

NAMES	AMOUNTS OWNED	AMOUNTS HELD

APPRAISERS' REPORT PREPARED IN CONNECTION WITH SECOND REORGANIZATION CIRCULAR

NEW YORK, November 13th, 1893.

We have been requested to appraise the value of the business of the mills which will be owned and controlled by the United States Cordage Company. In arriving at our conclusions, we have assumed three things, viz.:

1. That the business of the United States Cordage Company will be conducted under one central competent management.
2. That its various mills will continue to control the trade which they have controlled in the past.
3. That the United States Cordage Company will have sufficient working capital.

The total number of spindles in the mills which will be owned or controlled by the United States Cordage Company will be 6,104, or, if the Elizabethport mill is rebuilt, about 7,000.

This represents from 66% to 70% of the manufacturing capacity of all the cordage mills in the United States.

The consumption of cordage in the United States has increased for the past nine years at the rate of 15% per annum.

We estimate that this consumption will continue to increase during the next five years at the rate of at least 10% per annum.

We omit from consideration the value of the physical property, and also any increased value to the good-will of the business, resulting from the consolidation of the twenty mills under one management. We do, however, consider the economies resulting from this consolidation.

We base our conclusions on the above statements, supplemented by the knowledge which we have acquired from many years' experience in the cordage business.

We have reached the conclusion that the fair, practicable way to ascertain the value of the good-will or earning capacity of the business of the United States Cordage Company upon the above basis is to adopt the standard commonly accepted in the trade, and to use the spindles as the unit of value. We think that a conservative

valuation of each spindle, for this purpose, is \$4,000. We multiply this figure by 6,104, or by 7,000, as the case may be, the number of spindles, which makes our appraised value of the good-will of the business of the United States Cordage Company from \$24,416,000 to \$28,000,000.

E. M. FULTON,
WM. MARSHALL,
WM. B. SEWALL.

NEW YORK, November 20th, 1893.

CIRCULAR No. 2

OF THE

REORGANIZATION COMMITTEE OF THE NATIONAL
CORDAGE COMPANY

TO STOCKHOLDERS

Reorganization Committee has much pleasure in stating that, although the affairs of the National Cordage Company are not in as good condition for immediate liquidation as they appeared to be on June 21st, (the date of the Committee's Circular No. 1), yet the effect of the proposed reorganization will be to greatly improve the status and intrinsic value of the property of the reorganized Cordage Company, thus rendering more secure and extended the basis upon which the reorganized Company's securities will be predicated.

Many leases and contracts deemed unprofitable have been abrogated. The reorganized Company's contract relations will be simplified. The accounts have been analyzed and adjusted, and the absolute title has been acquired, or will be acquired, to many valuable mills and properties, a part of which have been heretofore held under lease, and over a part of which the Company has heretofore had no control.

These important additions to the Company's property will be made without expense either to the National Cordage Company or to the reorganized Company through which it is proposed to hereafter conduct the business.

Not only have these additional properties been acquired without expense, but also by their acquisition the indebtedness of the reorganized Company and its annual fixed charges will be much less than if the properties should be taken over subject to the leases and burdens which will thus have been done away with.

Among other additional properties to be thus acquired are the eight mills heretofore owned by the Security Corporation, referred

to in Circular No. 1. These mills represent two-fifths of all the spindles heretofore controlled by the National Cordage Company, and consist of

THE BOSTON CORDAGE MILL,	THE CHICAGO CORDAGE MILL,
THE STANDARD CORDAGE MILL,	THE LAWRENCE ROPE WORKS,
THE NEW BEDFORD CORDAGE MILL,	THE FIELD CORDAGE MILL,
THE MIDDLETOWN CORDAGE MILL,	THE OHIO CORDAGE MILL.

These properties have been heretofore held by the National Cordage Company under a twenty-years' lease, expiring in 1911. This lease required the payment, as rental, by the National Cordage Company of \$585,000 per annum, besides assessments, taxes, charges, water rents, expenses of operation and maintenance and insurance. Of this rental, \$225,000 per annum was payable into a sinking fund, for the redemption and payment of Security Corporation bonds. Thus during the twenty-years' term of the lease, the National Cordage Company was under obligation to pay to the Security Corporation sums which, with interest in the meantime, amounted to over \$6,000,000. As the Committee regarded the annual payments called for by this lease too burdensome for the reorganized Cordage Company, it declined to recommend the assumption or renewal of this lease. As the result of many weeks' negotiations, the Committee has now arranged, subject to the approval of the holders of Security Corporation bonds (a large majority of whom have already given their approval), to purchase this property for the reorganized company, freed from the \$6,000,000 mortgage now upon it, and subject only to certain underlying liens, amounting altogether to about \$1,385,000, payment of which will be provided for by the reorganization plan. This property is to be paid for by the use of \$6,000,000 par value of the Guaranteed Stock of the reorganized company, thus ridding it of over \$6,000,000 of debt, which it would have assumed if it had renewed the lease, and of the annual fixed charge of upwards of \$585,000, and vesting it with the absolute ownership of these mills. This transaction is, therefore, a most advantageous one for the company and for the stockholders.

Moreover, as stated in the circular to creditors, it is expected that the reorganized Company will acquire title to all the Union Mills, consisting of the Sewall & Day, Chelsea, Donnell, Galveston, Hanover and Miamisburg Mills, which will materially add to the value of the Company's mill properties.

The reorganized Company will be called

UNITED STATES CORDAGE COMPANY.

The new Bonds will contain a provision for a sinking fund of \$100,000 per annum after 1895, and it is proposed that a like sum shall be annually set apart, out of profits only, and before payment of any dividend on the Common Stock, for the redemption of the Guaranteed Stock, so that, in time, both Bonds and Guaranteed Stock may be retired.

For the information of the stockholders, the Committee's Circular No. 2, to creditors, showing the final plan of reorganization, is herewith enclosed. The success of the reorganization depends upon the creditors' assent to the proposition therein set out.

The Committee also reminds the stockholders that in addition to its equity in the mills, plants and machinery, and in addition to the new property of other kinds, the reorganized company will have, as working capital, not only the contributions of the stockholders, but also all the assets of the National Cordage Company remaining after the payment of its debts.

Stockholders may be disappointed with the appraisals put by the New Jersey Receivers upon the mills, plants and machinery inventoried by them. It must be borne in mind, however, that these items in the inventory did not include the mills, plants and machinery of either the Security or the Union Mills. Besides this, the Receivers' appraisalment was made upon the basis of a forced sale of dead real estate, bricks, mortar, wood and machinery. In their inventory the Receivers say about this:

"So far as the mills, plant and machinery are concerned, there are various bases of appraisalment.

"From the point of view of a solvent corporate owner, they would be appraised as an entirety, as the going, useful, profit-earning property of a going concern.

"From the point of view of a creditor of the Company, they may be appraised on one of three bases:

"First, upon the theory that a purchaser could be found willing and able to purchase the whole property, at an adequate price, with a view of continuing to operate it in the cordage business.

"Second, upon the theory that there is no purchaser, at an adequate price, for the whole of the property, but that separate purchasers can be found for the several mills, who will each buy those mills with a view of continuing the cordage business theretofore carried on at those mills.

“ Third, upon the theory that the mills must be sold separately, at forced sale, upon a given date, without regard to the future use to be made of them.

“ The Receivers are of the opinion that no purchaser for these properties can be found upon the first of the above theories, unless such purchase should be made as a part of the voluntary reorganization of the Company by the creditors and stockholders. They, therefore, do not feel called upon to express any opinion as to the probable value of the mills, plant and machinery upon this theory.

“ The Receivers are also of the opinion that there are not a sufficient number of persons familiar with or desiring to engage in the cordage business to justify them in expecting to effect a sale upon the second of the above theories. They, therefore, do not regard it as a part of their duty to express an opinion as to the probable value of the mills, plants and machinery upon this theory.

“ Therefore, in arriving at the appraisals shown in the following inventory, the Receivers have acted solely upon the third theory above mentioned. Their appraisals are based solely upon what they have reason to believe would be the actual cost of purchasing the ground upon which the mills stand and of erecting and equipping those mills, less a proper deduction for depreciation. This appraisal is based upon the assumption that approximately these prices could be obtained upon a forced sale of these properties, in separate parcels, on a given date, and without regard to the fact that they have together formed one entire manufacturing property.

“ While the Receivers are of the opinion that the amount of such an appraisal would be very largely increased if based upon either of the first or second of the theories above mentioned, and while they are also of the opinion that the good-will of the business represented by these combined mills, if owned by a solvent, properly managed corporation, would be a very great one, yet as neither of these increments of value forms a part of the appraisal which they understand it to be their duty to make, they express no opinion as to the amount by which their appraisals would be increased if these things were taken into consideration.”

If the Security and Union Mills should be appraised upon the same basis as the above, the entire mill property and good-will would, in the judgment of the Committee, furnish ample security for the proposed new bonds.

The Committee does not think, however, that this is a proper basis of appraisal from the stockholders' point of view. As none of its members are practical cordage men, the Committee does not undertake to express an opinion concerning the real value of the properties and good-will of the business of the reorganized Company. It is of opinion, however, that in ascertaining such value, the facts should be considered that these properties will be properties of a going concern, and that they will be united and operated under a single management.

At the request of some of the larger stockholders, the Committee encloses with this an appraisal which has been made for these stockholders.

The mill properties, which will be owned or controlled by the United States Cordage Company, are:

L. WATERBURY & Co.,	CHICAGO CORDAGE COMPANY (formerly
WILLIAM WALL'S SONS,	Wm. Deering & Co.),
TUCKER & CARTER CORDAGE COMPANY,	AMERICAN CORDAGE COMPANY (formerly
VICTORIA CORDAGE COMPANY,	Field Cordage Company),
XENIA TWINE & CORDAGE COMPANY,	OHIO TWINE & CORDAGE COMPANY,
J. RINEK'S SONS,	SEWELL & DAY CORDAGE COMPANY,
LAWRENCE ROPE WORKS,	CHELSEA (formerly Suffolk) CORDAGE
BOSTON CORDAGE COMPANY,	COMPANY,
STANDARD CORDAGE COMPANY,	DONNELL CORDAGE COMPANY,
NEW BEDFORD CORDAGE COMPANY,	GALVESTON ROPE AND TWINE COMPANY,
MIDDLETOWN TWINE COMPANY,	HANOVER CORDAGE Co., Ltd.,
MIAMISBURG CORDAGE COMPANY,	ELIZABETHPORT CORDAGE Co.,
	MIAMISBURG BINDER TWINE & CORDAGE
	COMPANY.

Besides the foregoing, there will be various dismantled and dormant mill properties purchased by the National Cordage Company, in order to acquire their business.

It is a noticeable fact that the creditors and stockholders of the company, have cordially and harmoniously united with the Committee in the proposed reorganization, and that no attempt has been made, by litigation or otherwise, to impede the reorganization, and (taking into consideration the embarrassing complications which have been dealt with) the Committee congratulates the stockholders upon what promises to be a satisfactory adjustment of their interests.

The Committee therefore expects to complete the reorganization by the organization of the United States Cordage Company within the present year.

The new Board of Directors of the United States Cordage Company has been partially selected. Among them will be the members of the Advisory Committee, Messrs. GEORGE G. WILLIAMS, GEORGE S. COE and W. W. SHERMAN, who, at the special request of the Reorganization Committee, have consented to serve for the first year as the representatives of creditors and bondholders. Among them also will be Mr. E. F. C. Young, one of the Receivers, and the

members of the Reorganization Committee. The Board will consist of not more than fifteen members.

GEORGE C. MAGOUN,	}	<i>Reorganization Committee.</i>
ERNST THALMANN,		
GUSTAV H. GOSSLER,		

NEW YORK, November 20th, 1893.

CIRCULAR No. 2

OF THE

REORGANIZATION COMMITTEE OF THE NATIONAL
CORDAGE COMPANY

TO CREDITORS

PROPOSED MODIFIED PLAN OF SETTLEMENT WITH
CREDITORS,

*Involving the sale or transfer of all the Assets of the National
Cordage Company, and their application, in the first
instance, to the payment of its debts.*

*This also involves the purchase by the Reorganized Company
of the Eight Security Mills, the Cancellation of the existing
\$6,000,000 Mortgage on these Mills, and the
issuance of stock in lieu of the Bonds
secured thereby.*

THE REORGANIZED COMPANY WILL BE CALLED
UNITED STATES CORDAGE COMPANY

PROPOSED SETTLEMENT WITH UNSECURED CREDITORS

Pay 25 per cent. of the unsecured debt in cash by January 31st, 1894.

This will exhaust the unpledged merchandise and cash assets, leaving Accounts Receivable, and other items to be disposed of as below: —

Pay 65 per cent. of the unsecured debt by January 31st, 1894, in bonds at par of the United States Cordage Company (which shall be part of an authorized issue of \$7,500,000 30-year six per cent. gold bonds), secured by a mortgage on all the mills and realty, plant, machinery, good-will, trade-marks, brands and patents, acquired and to be acquired, also by pledge of all stocks of other Cordage companies owned by the United States Cordage Company. These bonds will be dated January 1st, 1894.

Pay 10 per cent. (\$875,581) of the face of the total unsecured debt, and interest on the total unsecured debt, in Trust Liquidation Certificates, secured by a pledge of all the Accounts Receivable and other personal assets of the National Cordage Company remaining after providing for the 25 per cent. payment in cash, and the expenses of receivership and reorganization.

These pledged Assets will be liquidated as rapidly as possible. The Trust Liquidation Certificates will entitle the holder to his *pro rata* share of the proceeds of these pledged Assets to an amount not exceeding this 10% and interest.

These pledged Accounts Receivable and other personal assets are classified by the Committee, as follows:

Slow, but considered good	\$1,111,762
Slow and doubtful, of the face value of \$1,851,076, but probably good for	600,000
	<u>\$1,711,762</u>

SECURED CREDITORS

The Committee has arranged with a majority in value of the secured creditors, and expects to arrange with all secured creditors, for the gradual liquidation of their merchandise collateral, through the United States Cordage Company at prices to be agreed upon, and the acceptance of payment for their deficiency, if any, in these Trust Liquidation Certificates.

We recommend the prompt acceptance of the above proposition. It is the best settlement of which the condition of the company permits.

GEORGE C. MAGOUN,
ERNST THALMANN,
GUSTAV H. GOSSLER,
Reorganization Committee.

To the Creditors of the National Cordage Company:

The Reorganization Committee has submitted to us in detail a statement of the condition and affairs of the National Cordage Company which we have examined with care. We fully concur in the conclusions reached by the Reorganization Committee, as stated in its Circular No. 2, and we recommend to all creditors the immediate acceptance of the plan of settlement proposed. It

is our opinion that this adjustment is not only most equitable and fair to all concerned, but also that it is the best that can be made under the circumstances.

GEORGE G. WILLIAMS, President Chemical National Bank.

GEORGE S. COE, President American Exchange National Bank.

W. W. SHERMAN, President National Bank of Commerce.

Advisory Committee.

To the Creditors of the National Cordage Company:

As Receivers of this Company, we hereby concur in the recommendation for the adjustment of all liabilities of the National Cordage Company, as proposed by the Reorganization Committee. In recommending the immediate and unanimous approval and acceptance of the settlement proposed, we do so in the interest of the creditors at large, and believing that in no other way they could expect to obtain as favorable a liquidation of their claims, as the liabilities of the Company, and its varied interests, are too large to be adjusted favorably through any other procedure than through the proposed reorganization and adjustment.

E. F. C. YOUNG,

G. WEAVER LOPER,

Receivers.

Various changes in the very complicated affairs of the National Cordage Company which have taken place since June 21st, 1893 (the date of our Circular No. 1), will prevent the Receivers and the Reorganization Committee from carrying out the settlement then proposed. A new form of settlement is necessary, which, however, is believed to be a better settlement for the body of creditors than the one originally proposed.

The settlement now proposed means the application of all the assets of every sort, in the first instance, to the payment of debts.

This change in the form of settlement has become necessary for the following reasons:

The time for proving claims before the Receivers expired on August 31st, 1893, and on that date and since a number of claims were filed, including claims for breach of various contracts, such as leases, manufacturing, employment, sales, etc., not appearing on the books as liabilities, which swelled the demands against the Company to a sum considerably larger than had been anticipated.

Moreover, a large number of debts, upon which the Company was only contingently liable as endorser, and which, therefore, did not appear in the accounts as liabilities, and which were not expected to become liabilities, have become actual liabilities by the failure and default of the principal debtors.

A large shrinkage in both pledged and unpledged merchandise and other assets has also occurred through the unprecedented decline in the prices of fibers, rope and twine, and this loss was made still greater by the fact that, after the Receivers took possession, orders for twine, previously given to the Company, were cancelled to the extent of many thousand tons.

The financial depression also caused failures among the Company's customers, which rendered numerous accounts slow, doubtful or bad, which on June 21st, were considered good and quick assets.

These facts and the maturing of certain underlying liens on various mill properties, have increased the total debt by the sum of \$1,609,374, and made it too large to be paid in bonds at 80, as originally proposed. For this reason no allotment has been made, and no liability has been incurred under the underwriting agreements by the signers thereof.

The underlying liens on the various properties are \$1,385,000 on the Security Mills (now proposed to be purchased), and \$728,000 on the Union Mills, in addition to interest on both items. About \$456,000 of this sum must be paid this year, and is treated as a part of the present debt. To provide for these Security liens, among other things, the authorized issue of bonds must be increased from \$6,000,000 to \$7,500,000. There is also a mortgage of \$250,000 upon another of the Company's mills which was contracted to be conveyed to it free of incumbrance, which amount the Receivers claim from the vendors of the property.

On October 27th, 1893, the Receivers filed a detailed inventory, taken as of the date of June 30th, 1893, being their first inventory. This shows assets appraised by them at \$12,601,561, and liabilities as of June 30th, 1893, of \$11,650,617, and contingent liabilities of \$1,039,826.

On September 30th, 1893, another inventory was made, and a statement of assets and liabilities as of that date has been made up by Mr. Seaward, Accountant of the Receivers.

Until after the completion of this inventory of September 30th, 1893, and until after an examination of the claims filed against the

Receivers and of the Receivers' appraisements shown by their inventory filed on October 27th, 1893, it was impracticable for the Reorganization Committee to formulate a new proposition for settlement.

In the meantime, however, the Committee has used every effort to complete a plan of reorganization, the success of which depends upon a voluntary settlement by the creditors, but which will put the reorganized company in possession of property and business of much greater value than that of the present company before its failure.

While the changes above referred to have seriously diminished the proportion of quick assets to unsecured liabilities and have therefore correspondingly diminished the present paying capacity of the assets, nevertheless, the slow assets remain, and can be utilized in time and with judgment to the advantage of creditors, while the mills, plants, machinery and good-will of the reorganized company can be made available as valuable security for the bonds offered in settlement.

Mr. John Scott, on behalf of the Committee, has carefully examined the work of the Accountant above referred to, as well as the claims filed and the allowances which the Committee thinks will be made, and advises the Committee, that, subject to future proof of claims not now known or anticipated, and subject to possible variations resulting from the Receivers' allowance or disallowance of claims proved, the following figures are correct, as of September 30th, 1893:

ASSETS

Real estate, mills, plant and machinery (not including good-will, trademarks, etc), in New Jersey Receivers' possession and appraised by them at	\$2,934,388	
Stocks of other Cordage Companies, in Receivers' possession, and appraised by them at	679,300	
Merchandise	4,880,884	
Notes Receivable	273,303	
¹ Accounts Receivable	3,596,691	
Mill Supplies	60,000	
Security Corporation bonds	303,624	
Cash	326,169	
Claims against various parties	595,463	\$13,649,822
Less pledged assets		4,839,978
Free Assets		8,809,844

¹ This includes the assets expected to be received from the Boston Receivers as part of the reorganization.

LIABILITIES

Debts as per books	\$12,251,792	
Claims filed, subject to adjustment and allowance, estimated	\$500,000	
Liens due this year	456,000	
Contingencies and expenses, estimated	388,000	1,344,000
Total debt	\$13,595,792	
Value of Collateral pledged, as of September 30th, 1893, to be applied in payment of secured debt .	4,839,978	
Unsecured debt		8,755,814
Apparent surplus		\$54,030

The pledged assets (\$4,839,978) include certain accounts and notes receivable, Security bonds, and also certain merchandise, the latter being of the appraised value of \$4,100,489.

For the purpose of raising the cash necessary to pay the 25 per cent. offered, in addition to the cash in hand, there is available free merchandise amounting to \$780,395, and the unpledged accounts and notes receivable, and the mill supplies.

In this way all the free assets, except those representing the mill properties and good-will, will be applied to the payment of 35 per cent. of the face of the unsecured debt and interest, and the pledged assets will be applied to the payment of the secured debt. The remaining assets, representing the mill properties and good-will, and also the new mill properties to be acquired, will be mortgaged to secure the payment of the bonds mainly used in paying the remaining 65 per cent. of the unsecured debt.

Thus the entire assets of the company will be utilized in the payment of its debts.

The above assets, amounting to \$13,649,822, are not all available for immediate liquidation of debts, because they cannot now be converted into cash at adequate prices. For instance, among them are slow and doubtful assets of the face value of \$2,962,838, which cannot be considered for purposes of present payment, but which are believed to be ultimately good for \$1,711,762. Nor can the item of mills, plant, machinery, &c., amounting to \$2,934,388, nor the item of stocks of other mills, amounting to \$679,300, be advantageously turned into cash for the purposes of immediate liquidation. Nor can it be ascertained, at present, how much can be collected of the item of claims against various parties, amounting to \$595,463.

In short, \$6,566,860 of the unsecured debt, and the interest, must be provided for by bonds and Trust Liquidation Certificates, and provision must also be made for \$1,657,000 of underlying liens on various properties, which mature at various times during the ensuing ten years, and which are not included in the above item of total debt.

If an attempt should be made to pay the present debt at the present time, at forced sale, out of the present assets, it is obvious that creditors could not be paid in full, and a forced sale would so materially reduce the above appraised value of the assets as to pay an unsatisfactory dividend to creditors.

The market price of good-will, at a forced sale of a dismembered property, is so problematical that it is not appraised.

THE SECURITY MILLS

The eight mills of the Security Corporation have heretofore been operated under a lease, which required the yearly payment for twenty years by the National Cordage Company to the Security Corporation of \$585,000 annual rental. The payments, if continued, would retire the Security Corporation bonds of \$6,000,000, with interest, at the end of the lease.

Although these mills formed an important part of the Cordage Company's operated plant, it was obvious that the terms of the lease were too burdensome for the reorganized Company. The Committee has therefore completed arrangements for a conveyance of the title of the Security Mills to the reorganized Company, subject to the approval of the holders of the bonds of the Security Corporation. A large majority, in value, of these bondholders have already assented to this conveyance, which, when made, will be free from the lien of the mortgage of the Security Corporation of \$6,000,000, and will be subject only to underlying liens in the nature of purchase money mortgages amounting altogether to \$1,385,000, payment of which will be provided for by the reorganization. It is confidently expected that the necessary consent will be obtained from all the holders of Security Corporation bonds.

In giving this consent, however, the holders of the Security Corporation bonds *have expressly stipulated that bonds of the reorganized company should not be issued to creditors at less than par*, and that the whole issue should not exceed \$7,500,000.

This agreement, if consummated, will place the eight Security Mills (the Boston, Standard, New Bedford, Lawrence, Middletown, Chicago, Ohio and American) under the mortgage made to secure the bonds of the reorganized Cordage Company, and when the Union Mills are acquired, will make it a mortgage upon twenty-two mills (instead of upon twelve, as originally proposed). It will reduce the fixed annual charges by the sum of \$585,000, and will relieve the reorganized Cordage Company from burdensome restrictions contained in the Security lease and mortgage, and so permit of greater economy in managing and operating the mills.

By the provision made in the reorganization for underlying liens it is also expected that the reorganized Company will acquire title to the Union Mills, ownership in a part of which has been heretofore represented by capital stocks of corporations owning these properties. The remaining portion of these capital stocks is now pledged to secure payment of the underlying liens on these properties.

The stockholders of the National Cordage Company have, with practical unanimity, submitted to an assessment on their stock (\$20 on each preferred share, and \$10 on each common share), and have paid in their contributions for working capital for the new company. The amount already paid in cash is in excess of \$2,700,000 and this is expected to be increased to nearly \$3,000,000.

This fund, while not available for the payment of debts of the old company, will be in the treasury of the new company and will greatly strengthen its resources and credit and supply it with working capital.

The Committee also calls attention to the fact that in addition to the new real property of value which will be acquired for the new company, several burdensome contracts of various kinds will be abrogated or modified, the accounts and system of business will be much simplified, the expenses will be much reduced, all of which will also add to the value of the bonds of the reorganized company.

These facts render the bonds, now proposed to be issued, so much more valuable than the bonds originally proposed, that they should be available at par for the payment of debts.

The only alternative to this proposition is the dismemberment of the properties and their sale in judicial proceedings, which would produce most unsatisfactory results.

The Reorganization Committee therefore most respectfully urges all creditors to assent to the plan herein proposed before December

1st, 1893, and requests the creditors to sign and forward the enclosed assent as soon as possible.

The Committee intends to proceed with this reorganization on or about December 1st, 1893, by the organization of a new company to carry on the former business of the National Cordage Company.

This Company will be called the United States Cordage Company.

In what it has heretofore said the Committee has treated the situation as it must be viewed by a creditor desiring prompt settlement.

The valuations which it has been obliged to adopt for this purpose are radically different from the valuations which would be put upon the same properties as properties of a going concern, owned and operated by a solvent corporation; and, in particular, they represent, on the basis here adopted, much less value than will be represented by the enlarged, increased, and harmoniously consolidated properties expected to be obtained for the reorganized Cordage Company, as will appear from the Committee's Circular No. 2, to stockholders, enclosed with this.

The Committee recommends the acceptance of the settlement herein proposed. It is the best settlement of which the condition of the company permits. In saying this, it reminds you that its members are themselves creditors, and also the agents of other creditors, and that the Advisory Committee of Bank Presidents, whose recommendation is hereto attached, were appointed to represent all creditor banks.

GEORGE C. MAGOUN,	}	<i>Reorganization Committee.</i>
ERNST THALMANN,		
GUSTAV H. GOSSLER,		

UNSECURED CREDITOR'S ASSENT

TO MESSRS. GEORGE C. MAGOUN,
ERNST THALMANN,
GUSTAV H. GOSSLER,

Reorganization Committee of the National Cordage Company.

The undersigned accepts the proposition of settlement set forth in your circular No. 2, dated November 20th, 1893, and hereby assigns to you the entire claim of the undersigned against the National Cordage Company, which amounts to \$....., with interest from....., in consideration of value received and of your undertaking as a Committee, as expressed in said circular No. 2, to complete the above-mentioned settlement so far as the undersigned is concerned, and of your agreement evidenced by your acceptance of this assent, that in case you fail to so complete it, you will reassign said claims to the undersigned on or before February 1st, 1894.

For like considerations, the undersigned hereby appoints and fully authorizes you, or a majority of the said Reorganization Committee, as the agents and attorneys of the undersigned, to bid upon any sale of the assets, or any part thereof, of the National Cordage Company, on behalf of the undersigned, any sum not exceeding the above-stated indebtedness and interest, and to pay the sum so bid on behalf of the undersigned by a satisfaction and release of said claim of the undersigned against the National Cordage Company and its Receivers, without, however, releasing the parties other than the National Cordage Company, if any, who have agreed to pay or guaranteed the payment of the above-mentioned debt, or any part thereof.

And for like considerations, the undersigned further agrees with you that forthwith upon receipt of the cash, bonds and Trust Liquidation Certificates, to be paid in pursuance of the foregoing settlement, the undersigned will transfer the title of all promissory notes, or other evidences of said indebtedness held by the undersigned, and will deliver the same to you without releasing or discharging any

of the parties whose names appear upon said promissory notes, except so far as you shall have released or discharged the National Cordage Company under the authority above set forth, and that, in the meantime, no other disposition shall be made of said promissory notes or other evidences of said indebtedness.

TESTIMONY COVERING THE CORDAGE CONSOLIDATION TAKEN BEFORE THE INDUSTRIAL COMMISSION¹

WASHINGTON, D. C., April 10, 1901.

TESTIMONY OF MR. H. W. GRIMWOOD
Acting Secretary of the Cordage Association

[112] The commission met at 10.45 A.M., Vice-Chairman Phillips presiding.

Mr. H. W. Grimwood, of New York City, acting secretary of the Cordage Association, was introduced as a witness and, being duly sworn, testified as follows:

Q. (By Mr. Jenks.) Will you kindly give your address, Mr. Grimwood? — A. 46 South street, New York.

Q. You are at the present time acting as secretary of the Cordage Association? — A. Under the nominal secretary. I am the acting secretary.

Q. Who is the nominal secretary? — A. Mr. W. P. Whitlock. I call him the nominal secretary because he is not active.

Q. Have you been engaged in the cordage business for some time? — A. I have been. Some years ago I was closely engaged in it, but dropped it several years ago. I have been in the line of the business all the time, but not actively engaged in the last two or three years — not actively engaged in any particular company or mill.

Q. Were you earlier associated with the cordage combinations, so called? — A. I was an employee of the National Cordage Company, and when they failed then I was an employee of the United States Cordage Company, and when they failed I was an employee of the Standard Rope and Twine Company.

¹ XIII R. I. C. 112-164. The figures on the left hand margin refer to the original pagination in the Report of the Commission, — Volume XIII. The testimony is in the order given but some questions and answers are omitted because irrelevant to the present purpose.

General Nature of the Cordage Business

Q. Will you tell us briefly, in your own way, the general nature of the cordage business in which these combinations have been engaged? — A. The mercantile and other lines of business?

Q. Yes, both the mercantile and manufacturing business, particularly the manufacturing. — A. Well, I do not know exactly how to answer that question.

Q. What is the nature of the business? — A. To manufacture manila, sisal, New Zealand, Russian, Mauritius, and American hemps — in other words, fibers — into what is called ropes, cordage, and binding twine — that is a different thing from commercial twines — and, of course, the distribution of that product throughout the country.

Market for Manila and Sisal Rope

[113] Q. (By Mr. Phillips.) What is the chief market for the rope? — A. It is all over the country. There are different kinds of rope. For instance, there is manila rope and sisal rope. The other ropes are of less consequence. We do not pay any particular attention to them. The manila rope is of course used very largely for marine purposes all along the seaboard and also on the lakes.

Q. Does that constitute as large a market as the use of it for drilling purposes and boring wells? — A. Oh, larger.

Q. A good deal larger than for all the salt and gas and oil wells? — A. I think so. I do not know what proportion this use for drilling requires, but I should say it is comparatively small, although it is a good trade.

Q. (By Mr. Jenks.) What is the chief use for sisal? — A. The sisal is not used for the marine to any great extent. Once in a while it may be, when the prices are high, but not much. It goes into the South and West and is used for hoist ropes, and there is a large proportion of it used for different purposes, on railroads, constructing buildings, binding, and things of that kind.

Amount of Capital required for a Cordage Plant

Q. Does the manufacture of cordage at present require the investment of a large amount of capital in order to carry on the business successfully? — A. Yes; a comparatively large capital, but not, of course, as compared with steel plants and mills of that kind.

Q. How much capital would, in your opinion, be required to establish a thoroughly equipped and successful plant for the manufacture of cordage? — A. Well, it would depend on the size of the plant, of course. For a 500 spindle mill — that is a pretty good-sized mill — about \$500,000 would be required. That includes the land and buildings and the equipment with all kinds of machinery and boilers and engines and shafting, and putting the plant into complete working order. That is an estimate which I would say represents fairly the outlay, and the working capital would have to be in addition.

Q. How much working capital would be required in addition to run it successfully? — A. I should say probably about \$250,000.

Improvements in Methods of Manufacture — Patents have Expired

[1114] Q. (By Mr. Phillips.) Has there been any advance made in making cordage, any improvement in methods, within the last 25 or 30 years? — A. Oh, yes; since 25 years ago the improvements have been quite rapid. The rope to-day is made by machinery, which, I think, has all been invented within 25 years.

Q. Are there any processes or patents that are peculiar to any one concern that the others do not have? — A. I think the patents have all run out. The John Good rope machines and preparing and spinning apparatus were supposed to be the best, and I think they were the best invented.

Q. That was a patent? — A. That was a patent, but I think it expired a few years ago.

Q. (By Mr. Jenks.) So that at the present time the advantages of any of these larger establishments do not rest particularly upon the control of patented machines or anything of that kind? — A. No. not that I am aware of. If there is anything I do not know of it.

Raw Material and Machinery used in Hemp Manufacture

Q. Is the raw material for binder twine the same substantially as for cordage? — A. Yes.

Q. They use manila hemp also? — A. Well, they use it, but they have not used very much of it for the last year or two, because it has been so high.

Q. What do they substitute for it? — A. They use the sisal and a mixture. Binder twine consists mainly of sisal, the pure sisal;

but they have a mixture of sisal and pure manila, and it practically makes the binder twine.

Q. Is the machinery in those factories like that for the cordage manufacture, and can the cordage manufacturer make binder twine and the manufacturer of binder twine make cordage? — A. They can do it unless the mills are put up especially as twine mills. All of the rope mills are supposed to make binder twine, but the twine mills cannot make the rope unless they have the machinery for it. They can make the yarn, but they cannot make rope unless they have the machinery.

Fluctuations in the Price of Hemp

Q. And what would you give, then, as a fair average price per pound for cordage? — A. Cannot tell. It depends altogether on the price of hemp, and that varies. I will give you an idea of it. For instance, during the last three years the fluctuations have been very violent. Manila hemp has sold down as low as $3\frac{1}{2}$ cents a pound, I think, and as high as $14\frac{1}{2}$ cents; sisal hemp in proportion. Sisal hemp went down one time as low as $2\frac{1}{2}$ cents a pound — I am speaking now from memory — and up as high as 10 cents.

Conditions which led to Formation of National Cordage Company

[117] Q. (By Mr. Jenks.) Let us take up again the question of the National Cordage Company. When was that organized? — A. In 1887.

Q. What were the chief reasons that led to the organization of that company? — A. Well, I am not able to give you them. You must remember that with the organization I had nothing to do. I have never been connected with the company in any official capacity that would give me the inside motives for its organization.

Q. Do you know what the conditions of the business were? — A. I know what the conditions of the business were, and I can give you those, but I can only give them to you in a general way — information picked up here and there, which I believe to be correct; that is all. One of the motives leading to the formation of the company, as I understand it, was that they could, by gradually combining all these mills, reduce the cost of production. They could also reduce the cost of distribution; that would also make a more stable hemp market and consequently a more stable rope market. If they con-

trolled, for instance, the mills of the country, there would be one buyer of hemp instead of 20 or 30. Instead of competing against each other all the time and pushing the price up and up, there would be one buyer, and that would result probably in a fair price; at any rate, they would be willing to take hemp at a fair price.

[118] Q. (By Mr. Phillips.) Did the competition of the companies in selling have a great deal to do with forming the National? — A. Undoubtedly.

Q. Was the chief object to get rid of the competition in selling? — A. That was another object. As I said, in distributing the goods that was a very important point.

Q. Do you believe in the competitive system? — A. I believe in the competitive system; there is no question about that; but my experience in the rope trade has been such as to lead me to think that the competitive system there has been very disastrous.

Q. (By Mr. Jenks.) Was the competition before the organization of the National Cordage Company as severe as it is to-day? — A. No; in those days before the National Company was formed the manufacturers had an understanding with each other by which they made some money.

Manufacturers included in National Cordage Company — Output Controlled

Q. Was the intention at the time of the organization of the National Cordage Company to bring nearly all of the leading manufacturers together? — A. That is as I understand it.

Q. About what percentage of the output of the country did the National Cordage Company eventually control? — A. I cannot give you the proportion of the output, but they had a great many of the mills, and they had one or two very strong competitors whom they did not get hold of.

Q. The John Good Cordage Company? — A. No; they had an arrangement with them by which they shut up; they controlled them for the time being, but afterwards they broke loose. But the Plymouth Cordage Company and the Fitler Cordage Company of Philadelphia were two prominent concerns, and then there was the Pearson Cordage Company.

Q. Where was that located? — A. That was in Boston; that is now one of the Standard companies, but those three they never acquired. Whether there were others, I do not know.

Q. Those were the leading ones remaining outside ? — A. Yes.

Q. You have not any definite idea as to the percentage of the business controlled by the National Cordage Company; for example, whether it was 60 or 75 ? — A. No; I have not. They controlled a large portion of it, but I do not know what it was.

National Company did not secure all of its Objects

Q. At the time the National Cordage Company was doing business with comparative success did they succeed in steadying or controlling the market for hemp ? — A. No; not altogether. They had this other competition and they were all of them working right against each other.

Q. As a matter of fact, did they succeed in controlling the material ? — A. They never got to that point; they failed before they reached the point they were striving for.

Q. Did they succeed in making any substantial economies in the cost of selling ? — A. That I cannot say.

Reason for the Failure of the National Cordage Company

Q. This company went into the hands of a receiver about what time ? — A. In 1893.

Q. Have you any knowledge or any information that seemed to you satisfactory as to the special reasons for the failure ?¹ — A. Only what is before the public. The company evidently did not have money enough to carry the scheme through. They had purchased a great many mills throughout the country, and they did not make money enough to carry the plan out as they intended.

Q. Were there any serious charges made at the time with reference to speculation in the stocks of the company as a cause of its failure ? — A. I never heard of that. I heard it rumored that they were working a good deal in the stock market, but I never heard that in the light in which you put it.

Q. Was the apparent reason for the failure that they had attempted to take in more mills at high prices than the state of the market would justify ? — A. And did not have means to do it. That is my idea.

Q. (By Mr. Farquhar.) Did the shrinkage in stocks impair the credit of the company ? — A. Undoubtedly.

¹ See pp. 130, 155.

Q. Was that the real reason for the failure? — A. I do not know about that. Of course what precipitated the matter was the fact — perhaps you all remember it — that they proposed to issue, I think it was two million and a half preferred stock. That was the straw that broke the company's back.

[119] Q. The company had lost public faith and credit, and they could not float the stock? — A. Yes; and I guess some of the bears on the stock market took the cue and attacked them.

Q. (By Mr. Jenks.) Was there anything in the nature of the business itself that tended to precipitate the failure? Was there a fall in the price of hemp when they had a large stock on hand, or anything of that kind? — A. Yes; I think so. I hardly like to go on record about that, because it is a matter about which my memory may be at fault; but my idea is that for a time they made a great deal of money; prices were very high. Then the turn came, and of course when that came they had to suffer.

Reorganization — The United States and the Standard Companies

Q. Perhaps now you will sketch in your own way, rather briefly, the change from the National Cordage Company into the United States Cordage Company, and then from that into the Standard Rope and Twine Company, so far as they are the same plants. Then I will ask you to speak later with reference to your own association? — A. The National Company failed in 1893. They immediately went to work to reorganize the company. They assessed both the preferred and common stockholders, if I remember rightly, and raised about \$3,000,000, and formed the United States Cordage Company. Now, just the amount of securities that were out in the United States Cordage Company I do not recall. That is a matter of record anyhow. I think the United States Cordage Company was in existence about a year, perhaps a little more, and then they failed. Then they were succeeded by the Standard Rope and Twine Company on the same basis of an assessment against the stockholders, and when that was done their stock was scaled down from — I think their common stock from \$20,000,000 to \$12,000,000.

Q. At the time of the reorganization into the United States Cordage Company was there any cutting down of the stock? — A. I think not. I think there was simply a change of the form.

Q. Was there a change in the management? — A. The management was changed, I think. I suppose you have the information all there, while mine is simply a matter of memory.

Q. You intended to run on the same basis of capitalization as before? — A. Yes; I think it was not cut down.

Q. Was the failure of the United States Company from substantially the same cause as that of the National Company? — A. Yes; from trying to do too much without enough money to do it.

Q. The Standard Rope and Twine Company cut down their capitalization? — A. They reduced their capital from \$20,000,000 to \$12,000,000. That is where their capital stock stands to-day. They had \$7,500,000 first mortgage bonds which they put in the form of income bonds, not drawing interest unless it was earned. Then they had the \$3,000,000 raised by assessment, and they put that into first mortgage bonds — 6 per cent gold bonds.

Disposal made of some Plants by the Standard Company

Q. Did they dispose of any of the plants or did they keep them all? — A. They disposed of quite a number of them.

Q. Was that the reason they reduced the capital? — A. Well; I do not know.

Q. If they disposed of plants they had the money to use? — A. I do not know. I never heard. My idea was that they thought that by the reduction they could get down to some reasonable point where possibly there might be a chance to pay something on the stock.

Q. (By Mr. Phillips.) Were the plants they still owned utilized for manufacturing purposes or were they wrecked? — A. Some were used and some were wrecked.

Q. In selling, did they pay attention to that? Did they fear competition in selling them? — A. I do not know about that. They evidently did not fear it in some instances.

Standard Company's Spindles compared with total number of Spindles in the Country

Q. (By Mr. Jenks.) Suppose we take the present situation of the Standard Rope and Twine Company under its last reorganization. You said a while ago that there is a very vigorous competition at the present time in the trade? — A. Yes.

Q. Do you know what percentage of the output the Standard Rope and Twine Company has now? You spoke of that as the largest concern? — A. I do not know. You know these things are all estimated, because there are no returns given. There is [120] not a manufacturer who gives his returns, and we do not know what he is doing. All we can do is to guess at it, or estimate it from the number of spindles they keep in operation.

Q. Do you know what percentage of the spindles of the country is controlled by the Standard Rope and Twine Company? — A. I can guess at it and come very close to it. I am now speaking of the active spindles and not the total spindles. I know about how many spindles they are working, but I have not the figures in regard to the others. They are working about 1,800 spindles.

Q. What is your estimate of the total number of spindles in the country? — A. I calculate that in the United States there are about 11,000 spindles in use or ready to start. This is east of the Rocky Mountains — paying no attention to the Pacific coast.

Reason for Formation of the Cordage Manufacturers' Association

Q. What is your association? — A. It is called the Cordage Manufacturers' Association of the United States.

Q. Will you kindly tell us what the nature of the association is? Tell us first how it happened to be gotten up, the nature of it, and what you do. — A. After the failure of the National Cordage Company the cordage trade was in a very bad condition, and the competition among manufacturers became very keen, and they became very much separated from one another. The competition was so keen, prices so low, and business so poor that some of them thought it was about time to get together and have a better understanding and better comradeship, you might say, than existed. I will not say the manufacturers were unfriendly, but they were all separated — there was no community or feeling of fellowship. So this association came about. The manufacturers came together and talked over matters and thought that some good could be done by keeping a little closer to each other, and so they formed this association. They met at first in New York at a dinner there; then they formed the association, and since then they have been having these meetings, not at a stated time, but whenever they felt called upon to have them — sometimes at long intervals and sometimes short.

Chief Motives leading to the formation of Cordage Combinations

[122] Q. (By Mr. Phillips.) Were all the efforts that have been made by the cordage companies toward consolidation made for the purpose of preventing competition and getting larger prices for the goods? Has the elimination of competition in the buying and in the selling been the chief object in forming these combines heretofore? — A. That is my understanding of it. Of course, they were formed by men who had certain objects in view. I understand those objects have been to reduce the cost of production, to minimize the competition in the purchase of hemp, to minimize also the cost of distribution, and to make a steadier or more even market — to do away with this active competition among the different mills.

WASHINGTON, D. C., April 13, 1901.

TESTIMONY OF MR. JAMES M. WATERBURY

Former president National Cordage Company, New York City

[123] The commission met at 10.48 A.M., Vice-Chairman Phillips presiding.

Mr. James M. Waterbury, former president of the National Cordage Company, New York, appeared as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. Jenks.) Will you kindly give your full name and address to the stenographer? — A. James M. Waterbury; 69 South street, New York, is my business address.

[124] Q. What is your business? — A. I am president of a company which manufactures rope.

Q. What is the company? — A. Waterbury Rope Company.

Formation of Pools — their Characteristics

[126] Q. So far as you are aware, was there any union of interests more or less close among the cordage manufacturers before the organization of the National Cordage Company? — A. Yes; at various times there very often had been; they had pools.¹

Q. Will you describe in a word or two the nature of those organizations? — A. Well, all manufacturers would meet and agree to divide the business of the country upon certain percentages, and when they had agreed on the percentages the rule was that each

¹ See pp. 138, 147.

manufacturer should make his returns monthly to a supervisor, and if his business ran beyond his percentage he paid in to the supervisor so much per pound on the excess beyond his percentage; and then those that went below that percentage drew out from the supervisor an amount as much per pound as they went below their percentage. The supervisor acted as a clearing house for the manufacturers.

Q. Were there several such pools at different times? — A. There have been several such pools.

Q. Were you ever in any of those pools? — A. Yes; I was a member of some of the later ones. I think they ran all the way from 1860; I have heard so.

Q. Did any of them last long? — A. I think they lasted about three years, and they were broken up by other new competition starting, or by some men not being willing to act up to the agreement. Of course there was no legal way of holding a man to his agreement. We had no written agreement.

Q. Simply a verbal understanding? — A. Yes; an understanding.

Q. Could you have had any written agreement? — A. I do not think we could.

Q. How general were these pools? What proportion of the cordage manufacturers did they include? — A. I think they included them all in those times. There were not many manufacturers then; 10 or 15, something like that.

Pools suggest closer union of Cordage Manufacturers

Q. Did the failure of these pools to hold the members closely together have anything to do with the organization of the National Cordage Company? — A. Well, I believe it did. Of course, what went through my mind 12 years ago I cannot tell, but I know the pool made the business profitable, and induced me, for one, to favor a closer alliance with the manufacturers.

Q. These pools had been running continually for a few years before that? — A. Yes; breaking up and fighting, and then getting together again.

National Cordage Company first organized as a Trust

Q. Was there any consideration of organizing into a trust, in the form of the earlier sugar trust and standard oil trust, and so on? — A. You mean in these pools?

Q. I mean, as these pools failed and there was a thought of organizing more firmly in the cordage industry, was the plan to take the trust form? — A. At first the cordage company took the trust form and issued trust receipts to the members, but I think we were advised that that was of doubtful legality, and certain laws were being passed in regard to trusts, and they were changed into corporations.

Q. Did you issue trust certificates? — A. They issued trust certificates. I do not think it was actually declared illegal, but it was becoming unpopular, so we were obliged to change the form [127] of organization. I think the only object of the trust was to make less taxation on capitalization under the State laws.

Q. Was the trust firmer in its nature and form of organization than the pool? — A. Yes; at first that only included a few concerns. That was the beginning of the National Cordage Company, which started with only 4 concerns.

Reasons for forming National Cordage Company

Q. What were the other reasons that you had for bringing together the National Cordage Company, besides the lack of stability of the pools? — A. Well, the object of bringing it together was to economize in the distribution of products, which we thought could be accomplished, and also to try and steady the hemp market by eliminating a number of buyers of the product; and also to have a more stable and steady market for the manufactured goods.

Q. Was it expected that the National Cordage Company would probably be able to get entire control of the industry, as the pools had done? — A. I do not know as they ever thought they could do that, but they thought they could get a large majority of the industry together.

Organization of National Cordage Company — starts with Four Concerns

Q. Perhaps you will, without specific questioning, tell us the way in which you went to work to organize the National Cordage Company, the general method of financiering, and the capitalization? — A. Well, when we started in the first place we did not ask any outside aid. We started with 4 concerns.

Q. Will you tell which ones they were? — A. Yes; the Henry Wall's Sons, the Tucker & Carter Cordage Company, the Elizabethport Cordage Company, and L. Waterbury & Co.

Q. What proportion of the trade did these four companies control at that time? — A. Well, they were considered the Big Four New York manufacturers. I cannot remember the proportion at all.

Q. They had a good part of the trade? — A. They were all big concerns and had a good part of the trade. L. Waterbury & Co. was the largest concern in the country at that time, and had the largest percentage in the pools.

Q. Do you recall the percentage? — A. No; I cannot remember.

Q. Do you suppose these 4 companies had 25 per cent of the product of the country? — A. I should think they must have had 40 or 50 per cent.

Plan of Organization and Operation of National Cordage Company

Q. Now, if you will go on? — A. Well, it was originally organized with these 4 concerns, and they paid in a cash capital of one and a half million dollars, and the plan of organization was this: Instead of actually buying out all the different concerns so as to eliminate their interests from the business, we adopted a plan of having each concern stay in business and bid each year for the amount of stuff that it would make, and the price at which it would make it for the National Cordage Company. The idea was that if we bought out all concerns, their interests would be eliminated and it would be much more difficult to run these concerns profitably and economically than if we kept every manufacturer in the business. So every manufacturer was under contract to bid each year the amount of stuff he could make, and the contract would go to the lowest bidders, and consequently any man who did not bid had to shut up his factory at his own expense, and that was not very economical. Each manufacturer would have to manufacture at a low price, or it would cost him money to keep his factory closed each year. I think some were willing to bid below cost of making in order to keep their factories going, and at the same time use their best endeavors to reduce the cost of making rather than close their factories down. When the stock was eventually listed on the Stock Exchange, the application was only made to list the preferred stock, and when I explained that system to the Stock Exchange committee, they said it was a novel idea, and they asked me to list the whole thing

at once. So the common stock was listed at the request of the Stock Exchange committee at that time, because they thought we had a pretty sound scheme of consolidation.

Buying of Material and Selling of Product — How Regulated

Q. The several companies manufactured for the National Cordage Company, and the National Cordage Company was expected to be the general selling agent for them all? — A. Yes; that was the theory at the beginning.

[128] Q. (By Mr. Phillips.) And the individual companies lost if they shut down their works? — A. Yes; if they shut down their works they had to pay the expense of keeping them closed that year.

Q. Not out of the general funds, was it? — A. Out of their own pockets.

Q. (By Mr. Farquhar.) How did you regulate the buying system then? — A. The National Cordage Company bought all the fiber and distributed it to the different companies, who manufactured for them under contract conditions.

Manner in which Profits were Distributed

Q. (By Mr. Litchman.) How was the distribution of profits made? — A. Oh, by the stock holdings in the National Cordage Company.

Q. That was based somewhat on the value of each individual plant? — A. Yes; and this was a matter of negotiation. When the company was first started there were disputes, and they were settled by negotiation.

Q. Then if a plant shut down and did no work, against the loss by reason of non-employment was the offset of return on other properties? — A. But it is very hard to shut a factory down and start up in a year, for you lose all your good men, and you have a variety of expenses while shut down.

Organization of Company (continued) — Other Concerns taken in

Q. Well, now, if you will continue further. You had told us of the form of organization, so far as bidding of the manufacturers is concerned, and the fact that you had the stock listed on the stock exchange. — A. It was not listed at that time; it was listed later;

and then we went to work to get in more concerns, because we were intending to do that. We intended to take in quite a number, and I suppose we had at last some 15 concerns, although there were some big concerns outside which we never could get in.

Concerns inside and outside of National Cordage Company

Q. What were the leading concerns outside? — A. Well, the Plymouth Cordage Company, of Plymouth, Mass.; the E. H. Fitler Company, Philadelphia, and the Pearson Cordage Company, of Boston, which was owned by the McCormick Harvesting Machine Company. Those were the principal ones outside.

Q. Was the John Good Company in? — A. No; it was not. It was of small account at that time.

Q. You spoke of attempting to get these in, and of getting in a number. You had something like 15, you say? — A. That is my general recollection.

Q. Can you tell about what proportion of the output that made? — A. Well, I think that must have given us 60 to 70 per cent of the output.

Limited Supply of Raw Material prevented a Saving in Purchase of Same

Q. Was that enough so that you were able to make material economies in the purchase of your raw material? — A. Well, this is rather interesting, I think. It developed a very strange trade condition. The supply of the raw material in our industry is limited — there is just so much of it. We figured that we had an immense capacity, as we had. None of the factories had run full force. Our idea was to run full and buy our raw material and make goods cheap and do business on an economical basis, [129] so our first move was to get raw material — we had to have raw material. In attempting to get the raw material, naturally the Plymouth and Fitler companies also wanted to get it, and consequently that ran the raw material up, and that would not work. The raw material was limited; it is not like cotton. That was the difficulty we struck at the very beginning. We could not run our mills full on account of the competition of the mills outside insisting on running their mills, too, and the desire to make low prices in manufactured goods was of no benefit to anybody, on account of the above condition.

Basis of Capitalization was Earning Power of the Plants

Q. In taking into the National Cordage Company those concerns that you bought and in floating your company, what basis of capitalization did you have? — A. We adopted as the basis of capitalization the earning powers of these different companies.

Q. How was that fixed? — A. Well, we knew what they earned in the past.

Q. They simply turned in their books? — A. Well, we knew by their statements. Every concern that came in had been making a profit for a great many years; we were all practical cordage men, and all had made fortunes in the business practically many years before — we and our predecessors in the same concerns.

Q. So you had your annual statements of your profits, and on that basis you made your capitalization? — A. Yes.

Q. For how many years previous did you take this particular estimate? — A. I forget whether it was three or five years — something of that sort.

Q. And you capitalized on what percentage? — A. We estimated the value of the plant, cash capital, and the rest of it was made up of the earning power. I forget now whether that shows in the minutes of the organization. It is so long ago that I do not know.

Q. Have you possession of the minutes? — A. No; all papers and minutes were turned over to the receivers of the company. I have never seen them since.

Q. Do you recall the basis of earnings on which you made this capitalization — 6 per cent, 7 per cent, 5 per cent? — A. I think it was a 10 per cent basis.

Q. A 10 per cent basis? — A. Yes; that seemed to us the natural basis for this reason: About that time a good many organizations came out, and English concerns bought out American concerns. Some English concerns came to us and said they would buy us out at ten times our average profit for the previous 3 years if we would continue to run the business 5 years under a salary. It shows that that was about the financial basis of capitalization at that time.

Q. You were not willing to sell? — A. No; we refused it.

Q. You had been making more than that? — A. They were willing to pay us ten times.

Q. You had been making more than that? — A. We preferred to be independent at the time; we did not care to sell out.

Division of Capital — Amount of Common and Preferred Stock

Q. How was your capital divided? — A. At that time, \$10,000,000 common and \$5,000,000 preferred stock.

Q. No bonds? — A. No bonds.

Q. Was there in this division between preferred stock and common stock any attempt to distinguish the different kinds of property, tangible assets, good will, and so on, of the business? — A. I do not quite understand what you mean.

Q. You said you had capitalized on the basis of your earning capacity. Assuming a 10 per cent basis, was the preferred stock and the common stock supposed to be issued on equal terms? — A. We capitalized on three things — cash capital, the value of the plants, and the earning power — and those three things made up the capitalization. Now, the preferred stock, of course, had a first lien on our assets, and that would take the cash capital and the plants first, and the common stock would take part of it, and the earning power would be the rest of it.

What per cent of Stock represented Tangible Assets

Q. Did you consider that your tangible assets — that is, the plants themselves, which were cash capital — amounted to more than \$5,000,000? — A. Well, let me see — I really can't remember, but I know we had values put on them, and whether it will show in the first item I do not know; it was 12 years ago. I think there must have been some good will in there, too.

[130] Q. So that the \$10,000,000 of common stock would then be all good will; perhaps part of the preferred stock also? — A. I think that is very likely, on the actual cash value, but if you go to a man to buy his plants out it is a question what you mean by value and what he wants to sell for with him, and it is a question what that is in that valuation; the common stock——

Q. (Interrupting.) On the basis of the earnings of these separate plants before the organization, would it have been possible to pay 10 per cent on your \$15,000,000 of capitalization, preferred and common stock, both? — A. Yes; I believe so.

Q. On the basis of the actual earnings before the organization? — A. I believe so; yes. Certainly in good years it would.

Question of Inflation — Disproportion of Common and Preferred Stock

Q. (By Mr. Farquhar.) Was there any attempt at inflation at all in the issue of your stock? — A. Well, it was issued for good will — a large amount of it — like all industrial organizations.

Q. You had, outside of orders of the separate concerns, the profits of ten years — equal to more than the preferred and common which was covered? — A. Yes; but if you take the actual tangible value of the plants the amount of stock more than covered it. It is good will and earning power that makes stock at higher figure.

Q. The question I think Mr. Jenks wants to get at is the disproportion of the preferred, which represents tangibilities, to your \$10,000,000 of common stock representing good will. — A. I will tell you why it is hard for me to remember. The preferred stock was not issued at the beginning, and at the time it was issued we had come into possession of a great many more plants, and what the actual tangible value of the assets were I don't remember. My impression was when you first asked me that the \$5,000,000 did not even cover the tangible assets.

Taking in of other Plants — How they were paid for

Q. Was this \$15,000,000 of capital issued on the basis simply of the four plants that went in first? — A. Yes; but it was understood that they would use their capital stock to get in other plants. That was a private understanding, and our capital stock was not increased for a long time, although we took in a great many more plants.

Q. From time to time, as you took in other plants, you sold more capital stock? — A. No; we made a syndicate and pooled it. That was an agreement between the stockholders.

Q. In the buying of these various plants did you ordinarily pay in this stock? — A. Yes; we paid some stock and some cash and sometimes took the plants subject to mortgage — bought in all kinds of ways. We had a great many negotiations, lasting over a good while.

Q. (By Mr. Jenks.) Suppose you explain a little further the typical way, if I may so call it, of taking in some of the plants on mortgage. — A. Well, for instance, a plant was willing to sell out for \$500,000, and they were willing to take \$250,000 in stock and \$150,000 in cash, leaving the balance a mortgage on the plant.

Q. Didn't put a mortgage on the whole property? — A. No; just on that specific plant.

Q. (By Mr. Farquhar.) On the difference left in a division of that kind, do you make a debenture of \$100,000, for instance? —

A. No; the mortgage will just be a mortgage on that plant like any concern buying a piece of property subject to mortgage.

Q. Did it have priority of lien over other claims? — A. On that one plant; only on that one specific plant.

Company made Handsome Profits — Causes of its Failure

Q. You had anticipated that through the economies of the combination you would make higher earnings than before? — A. We hoped so; yes.

Q. Now, you have given the reason why you were not able to get additional profits in the purchase of your raw material. Can you tell any other particulars in which your calculations fell short? — A. No. We were able when we got a number of plants to make a very handsome profit, and the whole history of the thing, as I remember, was this: We did get along, making a handsome profit. It did not result to the benefit of the consumer because it raised the price of hemp, and toward the end the reason the National Cordage Company failed was that it did not have enough capital to carry on its business. Binder twine is a one-season business; it is all used in the summer. You have got to begin in August and September [1891] for the next year; so in the spring of 1893 we had on hand, I think, some 25,000 tons of binder twine, worth five or six millions of dollars, made out of hemp at a fairly good high price, and consequently of good value. We borrowed money against that; we had unlimited credit; my concern alone always had unlimited credit, and we were able to borrow all the money we wanted, and we did not think we would ever be placed in a position where we could not get all the money we wanted. But early in the spring of 1893, the Reading Railroad failure — that was the first shock that hurt us; the bankers were afraid and were becoming disturbed and were worrying about the silver question, just then beginning to agitate them. I know we did not realize how disturbed the bankers were, but they notified us two months before we failed that they would not be able to loan us so much money. Then we determined we had better issue some more preferred stock. The preferred stock, I think, was selling at about 110, and we thought we had better

issue more preferred stock to increase the working capital and to make ourselves independent of the bankers. It was that increasing of the preferred stock which was noticed. It got out on the market and that caused a panic in our stock, and that caused all our creditors to jump on us. The bankers had liens against the twine and wanted their pay, and with us the only safeguard was to have a receiver, otherwise some people would have received a preference; but the failure was entirely due to the inability to get credit, which had never been curtailed before in our history, and the uneasiness due to the general distrust in regard to the silver question and the failure of the Reading Railroad Company.

Dividends paid on the Stock

Q. You said you were making handsome profits — how much ? — A. I forget the regular published record of the dividends paid. We had to make an affidavit that all our dividend money deposited —

Q. (Interrupting.) You, of course, had been paying full dividends on your preferred stock. Do you recall the profits you paid on the common stock ? — A. I think it was 6 per cent.

Q. And you paid as much as that from the beginning ? — A. Yes; we paid 12 per cent on \$10,000,000, and I did not tell you that later, some years afterwards, we increased the common stock to \$20,000,000 and then we paid 6 per cent on that.

Amount of Stock — what Proportion represented Tangible Assets

Q. When you had increased your common stock to \$20,000,000 did your preferred still remain at \$5,000,000 until this last issue of 1893 ? — A. That never took place. It always remained at \$5,000,000.

Q. You perhaps have already said that even after you had taken in those 15 plants — say you had as many as 15 plants — that the probability is that the actual selling value — the tangible assets — of those plants was not above the \$5,000,000 ? — A. I say it would be above when all were taken in. The reason I was mixed up before is that I was thinking of the 4 original plants for which preferred stock was issued. I think the tangible assets were much more than \$5,000,000.

Q. Do you recall about where the tangible assets went ? — A. No; I cannot remember.

Q. As high as \$10,000,000, you suppose? — A. I think more, likely. I cannot remember. This was 12 years ago, and I have not seen the books since.

Effort to Control the Raw Material — Discriminating Contract

A. (Continuing.) It might be interesting, if it would not tire you, to tell you of some of the efforts which were made in the hemp market to control the hemp situation. There were 5 houses dealing in manila hemp in Manila. They were Kerr & Co., Smith-Bell, Stevenson, McLeod, and Warner, Barnes & Co. We sent an agent to Manila (we were very large buyers of hemp) to make an agreement with those houses that they would sell us exclusively in this country their manila hemp.

Q. About what date was this? — A. That contract was drawn in London and it was a very elaborate affair, and these 5 English houses also agreed in it that they would not sell any house in England manila hemp unless that house in turn agreed that they would not sell to anyone in this country except at an advance of over half a cent a pound above the price we were paying.

Q. That was the effort you were making to shut out these outside concerns? — A. To get an advantage over our competitors.

Q. About what time was that? — A. I do not know. Those contracts are in the receivers' hands.

[132] Q. (By Mr. Phillips.) This was an effort to control the raw material? — A. To get an advantage over our competitors of half a cent a pound.

Q. Were there any houses left in Manila who could be competitors? — A. No; we had them all.

Q. How did your competitors secure their hemp? — A. For a number of months they paid half a cent a pound more than we did for our hemp, but it finally resulted in some English houses in England buying hemp and defying the agreement and selling them, after having taken legal advice that the contract would not hold in the English courts. It was an interesting attempt, that was all.

Discriminating Contract made with respect to Machinery and Repairs

Q. (By Mr. Jenks.) Which worked about six months? — A. Yes; and finally fell through because the people would not live up to it. We also had an agreement with John Good and other manu-

facturers of machinery not to sell machinery or repairs to any concern but ours.

Q. How long did that hold? — A. Well, competition killed that. A new concern started up.

Q. Did John Good have patents covering his special machinery? — A. Well, the only patent he ever had was on a machine called the "breaker," and that, I think, ran out at that time, and we afterwards found out that the patent was probably not good anyhow.

Q. Did that give you an advantage for a period of some months, or a year or so? — A. Well, we thought that would stop the establishment of new factories. It did not affect the ones in existence. The National Cordage Company was advertised, so that that did really in the end a good deal of damage, because factories started all over the country, making severe competition.

Amount of Capital Required to Start a Cordage Manufactory

Q. About how much capital does it take to start a good cordage manufactory? — A. It takes only a small capital; it depends. I should say with \$100,000, leaving out the working capital, you can start a nice factory.

Q. How much more would it take with working capital? — A. As much again.

Q. \$200,000 or \$250,000 would start a well-equipped factory? — A. A well-equipped factory; not as large as the big ones, and therefore not quite as economical, but a good factory. It is very easy to start in the cordage business.

What Savings the Combination was expected to make

Q. Now, to come back to the question as to the other savings that were made by your combination. Besides these two attempts you have explained, which failed to corner either the raw-material market or the market for machines, what other savings were you able to make? — A. We did not attempt ever to corner the raw-material market.

Q. These special contracts? — A. They were discriminating contracts, under which we had half a cent advantage, but no corner. A corner is when the other fellow cannot get any at all.

Q. What other special advantages did you expect to get, or did you get, from your combination? — A. Well, of course, making

the bulk of the twine and rope that was used, we steadied the market-price, and could steady it at a profitable price.

Q. In steadying it at a profitable price, did you find your competitors cutting under to take your trade? — A. Yes.

Concerns outside the Combination have the Advantage

Q. Or were they willing to follow you? — A. I think we were a great advantage to our competitors; so much so that I would rather have been on the outside than in the combination.

Q. You think those outside have an advantage? — A. Have an advantage in nearly every combination. The only combinations in my mind that are bound to succeed are those which are of real benefit to the people. In other words, those that introduce economies and are able to maintain them so that the people get cheap goods and the outsider cannot compete with them. Those are a benefit to the country, and those are the combinations that are controlled to advantage. Those that put the price where it will encourage competition are bound to go to pieces.

[133] Q. You don't think, then, that the cordage industry is one in which there can be any special economies made? — A. I do not think so to any large extent. I think a large mill properly run is better than any combination of mills. That is my present opinion.

Q. (By Mr. Litchman.) What effect would it have if the combination controlled patents? — A. That would be a splendid thing for the combination; but there are no patents in our business. There is nothing to give us a hold on the business at all except the control of the raw material, and that does not seem practical either.

Q. Your opinion would be modified then if the combination had the control of patents and trade-marks at an extreme value? — A. Then it would be very valuable.

*Large Single Manufacturers have Advantage over Combinations
in Certain Cases*

Q. (By Mr. Jenks.) You said that you thought a large single manufacturer would have an advantage over a large combination of companies? — A. I think when one group of men are devoting their energies to running one mill and distributing their goods, they do it cheaper and better than they do when they are looking after a group of mills.

Why Assets of National Cordage Company did not cover Liabilities

[134] Q. You said that owing to the credit situation in 1893 your organization went into the hands of a receiver. Did your assets prove enough to pay creditors? — A. No, and I will tell you why. The panic caused in the hemp and binder twine market by the failure was so great that binder twine which was worth and would have been sold for \$6,000,000 sold for about \$2,500,000. The shrinkage came entirely from the panic caused by the failure in the hemp and binder twine markets. [Producing paper.] Here is a hemp chart that I thought would be interesting to you, showing the fluctuations in manila hemp for the years from 1870 to 1900. The middle price is about 6 cents. It runs quite evenly for a time. When the National Cordage Company failed, it went down and stood very low. The price fell to the lowest ever known for manila hemp, 3 cents to 3 $\frac{5}{8}$. During the Spanish war the hemp, of course, went up, and when the war was successful it went down again. And then the Manila ports were closed, and it ran up to about 14 cents a pound from 3 $\frac{1}{2}$.

Reason for Failure of National Company and Shrinkage of its Assets

Q. So that you would say that the failure of the National Cordage Company was due in the first place to a shrinkage of credits from outside reasons? — A. I consider it was entirely due to that.

Q. And then the failure of the assets to cover the indebtedness was due to the panic caused by the company's failure? — A. To the panic caused by its failure and the general depression that ensued from that. Why some of the twine that would have been sold at 10 cents a pound did not realize 3 cents. It does not seem possible that there could be such a shrinkage.

Q. Do you recall about what the payment was? — A. No, I do not. The reorganization committee had charge of that. Some people were secured and others were not, and there were different kinds of settlement.

Reorganization — The United States Cordage Company

Q. Will you briefly outline the reorganization of the National Cordage Company into the United States Company? — A. That I had nothing to do with. The old directors resigned and the board

was reorganized with a bankers' board of directors, and I have never had a word to say about the United States Cordage Company or the Standard Rope and Twine Company.

Q. About what percentage of the plants of the old company remained in the United States Company? — A. Well, they all remained in; but some were sold out afterwards. The Standard Rope and Twine Company still holds some, and is still offering plants for sale; cannot run them successfully.

Q. You say the United States Cordage Company sold some of their plants off pretty soon. Do you know whether they closed down any of them? — A. I think they did, oh yes; and the same way with the Standard Rope and Twine Company. That is only running two plants, I think, now.

Q. Out of about how many? — A. Well, I do not know how many they have sold. This is hearsay that I have been testifying from. They must have seven or eight plants, but I think they are only running two.

National Cordage Company took in only Good Plants

Q. We will go back for a moment to the management of the National Cordage Company. Did I understand you to say that when that was organized you took in none excepting good plants that had been making profits? — A. That was certainly so.

Q. As you bought up plants from time to time did you follow the same principle of taking in good plants? — A. I cannot remember the exact plants we took in, but we only took in plants that were competing with us, and we eliminated that much competition with us by taking them in.

Q. Well, you took in plants only that were competing with you; did you take in some that were not making money? — A. I think they were all making money. I do not remember now. If you tell me any specific case or plant you are thinking of, perhaps I can tell.

[135] Q. What I ask is this: The statement is frequently made that the most dangerous competitors are those concerns which are on the verge of bankruptcy and are not making money. I wanted to know if that was your experience? — A. No, I do not think that was the case with us. You see the formation of the National Cordage Company and our holding a fair margin of profit enabled them all to make money, and I think they were all making money.

Of course, a bankrupt plant that comes in as a new competitor is a dangerous competitor, but that did not occur so far as I can remember. I think they were all going concerns and making money. I think you will find that the Plymouth Cordage Company and the Fittler Cordage Company and all those big concerns made handsome profits during the time of the National Cordage Company.

*No Change made in Wages — Duration of National Company —
Salaries*

Q. Did you make any change in the wages of your employees? —
A. No; not the slightest.

Q. How long was the National Cordage Company in existence? —
A. I think it was from 1887 to 1893.

Q. Was there in the management of the National Cordage Company any material increase in the salaries of the superintendents and officers over what they had been receiving before in the separate plants? — A. No; the reason why there was not was because each director had to look after the manufacture in his own plant; it was to his interest to keep the same persons. I may add that the officers of the National never received any salary.

Q. Was that generally true? — A. They were large stockholders, but they never received any salary. That was the principal officers. Of course, the clerks did. But I never received any salary. I ruined myself in trying to support the stock of the National Cordage Company, as has been proved by testimony on record in New York. I bought over \$1,000,000 worth of stock to try to support it when the panic ensued — to try to support our preferred stock; and that is what ruined me.

Q. Was that true of all the officers? — A. I think it was. It broke nearly every one of them. They were all standing behind the stock, my partner, Mr. Marshall, and Mr. Wall, and they all lost heavily. We thought we could pull it through; we did not know there was going to be such an immense collapse of values. It is easy enough to make money in the cordage business now. I am making money in my little concern.

No Advantage from Combination in Cordage Business

Q. But you thought you could carry it through at that time and the National Cordage Company could sell out its stocks? So

that the general result of your experience is still that there is no material saving from a combination in that field? — A. No; that has often been discussed since then. I do not believe the cordage business can be consolidated successfully; I mean there will be no advantage in it.

WASHINGTON, D. C., April 13, 1901.

TESTIMONY OF MR. GIDEON F. HOLMES

Treasurer of the Plymouth Cordage Company

[138] The commission met at 10.48 A.M., Vice-Chairman Phillips presiding.

At 12.07 P.M. Mr. Gideon F. Holmes, of North Plymouth, Mass., treasurer of the Plymouth Cordage Company, was introduced as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. Jenks.) Will you please give your name and address? — A. Gideon F. Holmes.

Q. And your address? — A. North Plymouth, Mass.

Q. You are treasurer of the Plymouth Cordage Company? — A. I am treasurer and general manager of the Plymouth Cordage Company.

Q. How long have you been engaged in the cordage business? —

A. I have been with the Plymouth Cordage Company for 42 years.

Pooling Agreements in the Cordage Business

Q. Has the Plymouth Cordage Company at any time been connected with other cordage manufacturers through pools¹ or agreements regarding selling, or has it formed part of a combination at any time? — A. It has in times past.

Q. Will you tell us concerning some of the agreements that the Plymouth Company has had with other concerns? Please state about when these agreements were made, and describe their general nature. — A. Well now, I am not prepared to give you the exact dates.

Q. Can you tell us about the time? — A. It would go back several years. We had a pool whereby each concern was allotted a certain percentage of the business done by the entire pool, and then if we overran our percentage we paid into the pool a certain amount per pound, and if we fell short we received from the pool.

¹ See pp. 126, 147.

Q. Did that pool include any large proportion of manufacturers in the country? — A. Yes.

Q. Substantially all of them? — A. I am not sure that it included all, but most of them.

Q. Was the pooling arrangement that you had in those days a profitable one to your company? — A. We have made more money outside of a pool than we have in a pool.

Q. Did any special advantages accrue to you from any of your pooling agreements? — A. We thought so at the time, but later on we concluded that it was not to our advantage. In fact, we paid in every time into the pool.

Competition with the National Company

[139] Q. You were solicited to join the National Cordage Company at the time that was organized? — A. Well, we were solicited to sell out to them.

Q. When the National Cordage Company was in active operation did you find that it interfered materially with your business so as to lessen your profits by the sharpness of its competition? — A. No.

Q. Were they able at any time through their agreements with the sellers of manila hemp to gain any special advantage in that way? — A. No.

Q. The statement has been made that at one time at least the National Cordage Company succeeded in getting purchasing agreements by which they had half a cent per pound advantage of other buyers in the United States. Did your company experience this disadvantage? — A. We never experienced anything of that kind.

Q. You thought you were able to buy as cheaply as they? — A. Yes.

Q. As regards the selling price of rope, were you in the habit of following the prices that they had set, or were your prices established wholly independently? — A. Well, we followed them pretty closely. Perhaps in explanation of that I may say that it has been the policy of our company from the very beginning to put out goods of special merit. We have always considered quality and fair dealing first, and commercial gain next. In fact, in our judgment commercial gain naturally follows merit, and we are satisfied if we know that our competitors are not underselling us.

Q. On the whole, did the National Cordage Company hold prices somewhat higher than they had been before the cordage company

was formed, so that by following them you really got a benefit from the company's existence? — A. Yes, but whether they would have put up the price if the price of hemp had not been advanced is quite another question. Their trying to get the control of hemp naturally put up its price, and, of course, manufactured goods had to follow.

Q. Did the price of the manufactured goods go up more than proportionately to the price of hemp? — A. I cannot say that it did, but all the manufacturers had more or less hemp on hand from which they gained the advantage of the higher price.

Speculative Nature of the Cordage Business

Q. Does the raw material in the manufacture of rope form so important a part of the product that the business is made somewhat speculative in its nature on account of the raw material market? — A. For the last few years it has been decidedly so.

Q. Earlier such was not the case? — A. Not to such an extent. Of course, when the National Cordage Company started in and tried to buy large quantities of hemp, they naturally pushed up the price.

Q. And you were fortunate enough to have a good stock on hand? — A. Yes, we had to follow them to an extent. We did get caught once or twice, but it averaged up all right.

Q. Are you accustomed to buy your hemp, speaking generally, in sufficient quantities to last you a year, or do you buy from time to time? — A. If I think the market is low, I anticipate my wants and buy hemp. If I have a feeling that prices are going to decline, I hold off the market.

WASHINGTON, D. C., April 13, 1901.

TESTIMONY OF MR. WILLIAM W. FITLER

President and treasurer, Edwin H. Fitler Company

[146] The commission being in session, at 1.07 P.M., Mr. William W. Fitler was introduced as a witness, and, being first duly sworn, testified as follows:

Q. (By Mr. Jenks.) What is your business address, Mr. Fitler? — A. No. 23 North Water street, Philadelphia.

Q. What is the name of your company, and what position do you hold in it? — A. Edwin H. Fitler Company, of Philadelphia, and my position is president and treasurer.

Connection with Pools — Efforts to purchase Fittler Company

[147] Q. Was your company at any time connected with any pools¹ or associations of cordage manufacturers? — A. Well, that was before my time. This company never has been connected with any, but the old firm was connected with a pool many years ago.

Q. Before the organization of the National Cordage Company? — A. Yes.

Q. Have you been connected with any of the three last combinations — the National Cordage Company, United States Cordage Company, or the Standard Rope and Twine Company? — A. Never, in any way.

Q. Were efforts made to buy you out? — A. Yes.

Competition with National Cordage Company — Cutting of Prices

Q. Did you find, before the time of the organization of the National Cordage Company, that the pressure of competition was very severe? — A. When they first started, yes; but afterwards, in later years, it was not so hard.

Q. In what special ways did they seem to have the advantage of you? — A. Of course I am talking now about the Edwin H. Fittler & Co., our predecessors. Our present company is the sons; it was reorganized at my father's death.

Q. I asked you in what special ways you felt the opposition in the trade. Where did they get the advantage of you? — A. Well, I think that in the early days when they first started out there was a great desire to whip a lot of us into line, and therefore the competition was severe. It was a question of a good deal of nerve to stand out and fight against tremendous capital.

Q. You felt it mainly in the cutting of prices? — A. Yes.

Q. Did you find they had any advantage at all in the buying of the raw material? Were they able to corner the product in whole or in part? — A. No. They tried to.

Q. What was your experience in that? — A. When they first started out they apparently had control of spot or nearby fiber, as we call it. Of course that threw us on our resources, the supplies we happened to have on hand at the time, which were not quite

¹ See pp. 126, 138.

sufficient on account of certain sailers being late. We generally had our sailers coming forward from the islands. We felt it badly for about 3 weeks and after that our supplies came in.

Q. You had no further trouble? — A. Oh, there was a pinch once in a while; but we were running rather close to the wind.

[149] Q. (By Mr. Farquhar.) What effect on prices of twine did the failure of the National Cordage Company, in 1893, have? — A. It depressed the price as nearly as I can remember. I believe they had quite a surplus of twine, and the twine business had a sort of lull at that time.

Q. Did the most of you carry over stocks to the succeeding year, or did you keep on manufacturing? — A. We kept on manufacturing but we curtailed.

WASHINGTON, D. C., April 19, 1901.

TESTIMONY OF MR. JOSEPH G. TAYLOR

Secretary-Treasurer of the Standard Rope and Twine Company

[151] The commission met at 10.55 A.M., Chairman Kyle presiding.

Mr. Joseph G. Taylor, of New York City, secretary-treasurer of the Standard Rope and Twine Company, appeared as a witness, and, being duly sworn, testified as follows:

Q. (By Senator Kyle.) Give your full name and address to the stenographer, please. — A. Joseph G. Taylor, secretary-treasurer of the Standard Rope and Twine Company, 17 State Street, New York City.

Q. (By Mr. Jenks.) How long have you been engaged in the cordage business? — A. About 14 years.

Q. What other companies have you been connected with besides the Standard Rope and Twine Company? — A. The National Company and the United States Company.

Q. What positions did you hold in those companies? — A. Well, of course, they varied considerably. I rose from the lower ranks to the higher ones. I started with the National Cordage Company in a junior clerical position, and about four years previous to the failure of that company, in 1893, I had charge of the hemp, particularly of hemp contracts.

Reason for the Failure of the National Cordage Company

[155] Q. Let us consider for a moment your different positions. You spoke of being with the National, the United States, and the

Standard Rope and Twine Company. Will you sketch briefly the cordage situation as it appeared to you at the time of the reorganization of the National Cordage Company into the United States, and then from that again into the Standard Rope and Twine Company? What were the reasons that led to the failure of the National Cordage Company? — A. Lack of money, that was why they failed.

[156] Q. Was there a speculative element in the matter? Was there any special reason why prices fell so that they needed to have large sums of money? — A. I do not swear to the truth of this, but in my opinion the formation of the National Cordage Company advanced prices much more than their intrinsic value, and by not having sufficient capital to continue the business as they wanted to, and control the business, which they were unable to do, the National Cordage Company failed, and consequently prices assumed their proper level.

Q. You think, then, they had been pushing prices really higher than the conditions of business would warrant? — A. Why they put up the price of hemp something like 15 or 16 cents a pound.

Q. When you say they put up the price of hemp, you mean to say they had control of the market? — A. They were the only buyers.

Q. If they were the only buyers, why did they not put prices down? — A. They did not want them down.

Q. I thought you said manufacturers made more money when prices were low? — A. This was a combination, a combination that controlled everything.

Percentage of Manufacturers Included

Q. How large a percentage of the manufacturers of the country did they get together? — A. They got practically all with the exception of the Plymouth and Fitler companies.

Savings which the Combination Effected in Production

Q. Was the National Cordage Company able to make any material saving in the cost of manufacture? — A. Yes; I think they did. I am pretty sure they did by the organized equalization of manufacturing — by knowing the different methods that were applied in each mill and correcting them to the best possible method that was applied in any mill.

Q. Were they able to save materially in freights by shipping from the nearest plants? — A. Oh, decidedly.

Q. Can you give any instances? — A. Now, that is entirely out of my line. I know they always claimed, and the person that had charge of the freight business has always claimed, that they did make a large saving.

National Cordage Company did away with Sales Agents

[159] Q. Do you sell to the larger jobbers or direct? — A. We do sell through jobbers, but largely direct.

Q. When the National Cordage Company was organized was there any material saving made in the cost of distribution from the fact that they could do away with traveling men and commission men? — A. When the company was formed they did the business of the Deering and McCormick people, and they used to ship train loads of binder twine — 28 cars at a time — and they did nothing in a small way. It was practically all jobbing. They did not have any sales agents whatever.

The Standard Rope and Twine Company sells through the Union Selling Company

Q. The present organization does not run on that basis? — A. The present organization markets its own goods through what is known as the Union Selling Company.

Q. Will you please explain that organization and your relation to it? — A. It was formed to market our goods. We consign all our goods to them, and do not sell through anybody else. They have established agencies in different sections all over the country — at Omaha, Cincinnati, Chicago, Indianapolis, Boston, Austin — twenty-six or twenty-seven agencies.

Q. Do they act simply as your agents or do they buy your goods? — A. They do not buy; they act as our agents, and they employ in the branch establishments from one to four salesmen, as the case may be.

Q. Do they take the product of anybody else? — A. No; exclusively for us.

Q. The company is practically your company except that it is technically and legally separate? — A. Yes.

Q. Made up by substantially the same stockholders? — A. Not the same stockholders. Some men are stockholders in both com-

panies. We simply formed the company for the benefit of getting to the small trade direct.

Percentage of Cordage Business Controlled by the National and Standard Companies

[163] Q. I believe you made it clear that the National Cordage Company got possession of more than 50 per cent of the business of the country by the combination? — A. We had more than 50 per cent — more than 60 per cent.

Q. (By Mr. Jenks.) And your company now has probably one-third? — A. No; I should say about 15 per cent. My idea as to the consumption is more conservative than other people's in the business.

A Trust impossible in the Cordage Business

Q. (By Mr. Kennedy.) Is it true that the conditions in this industry are such that it is impossible to bring about such a combination as will drive the independents out of business or force them into the combination? — A. You have seen the result of that in the United States Cordage Company. There will never be another combination in the cordage business. There may be an association, and I do not think there will be any money in the business unless there is some association or combination, or call it whatever you will, for the general betterment of the industry at large. There will never be another trust, or whatever you may call it, in the cordage business.

Control of Raw Material by the National Cordage Company

Q. (By Mr. Farquhar.) By combination can you effect any economies in the purchase of raw material over the individual properties? — A. No; none whatever.

Q. (By Mr. Jenks.) At the beginning did the National Cordage Company try to get special rates on raw material? — A. They put themselves in such a position that they were the only buyers. They wanted to control the hemp market.

Q. Did they for a time hold a decided advantage over the Plymouth and the Fitler companies? — A. Well, the Plymouth and the Fitler companies were more or less interested. There was an understanding with the National in connection with the hemp industry.

Q. So all three were practically together? — A. Yes.

Q. You are certain there was an understanding? — A. Oh, I know there was an understanding.

Q. May I ask what the source of your information is? Did you see the contract? — A. No; but we shipped hemp to the Plymouth and Fitler companies when I was with the National Cordage Company.

*Efforts of National Company to secure Control of
Plymouth Company*

Q. (By Mr. Kennedy.) Did the National Cordage Company go to extremes, or did it make extraordinary efforts to secure control of the Plymouth Cordage Company? — A. I think we had some of their stock; I do not really know how much. My information would come only from gossip, but I think some effort was made to get control of their stock.

Q. Did they keep a standing advertisement in the Boston papers offering much more than the value of the stock? — A. I do not remember that.

*Understanding between Concerns as to Prices — such Agreements
cannot be Maintained*

Q. (By Mr. Phillips.) Have you had an understanding with a large majority of the plants engaged in the cordage business to sell at given prices? — A. That is what the cordage association is.

[164] Q. That is what you are endeavoring to do now? — A. Yes; we do have a sort of gentlemen's agreement on prices whereby everybody is bound to live up to the prices, but they do as they please when it comes to the test.

Q. Have you found the difficulty in such agreements to be that some one would cut under? — A. I have never known it to fail yet.

Q. That is the rule when these understandings exist that some one will cut under the price? — A. They may not do it themselves, but through their agents they do it. They do cut. I have never known it to fail yet.

Q. Such an understanding has never been kept long in any industry? — A. Never.

(Testimony closed.)

June 3, 1895

UNITED STATES CORDAGE COMPANY

REORGANIZATION AGREEMENT

[Manhattan Trust Company, depositary, 2 Nassau street, T. H. Wentworth, secretary.]

This agreement, made in the city and State of New York, this third day of June, in the year 1895, between Frank K. Sturgis, William Barbour, and John I. Waterbury, and such other person or persons as may hereafter constitute said committee, hereinafter called the committee, parties of the first part, and such of the first mortgage bondholders and holders of guaranteed stock, preferred stock, and common stock of the United States Cordage Company as shall assent and become parties hereto and comply with the terms hereof, parties of the second part.

Whereas the United States Cordage Company is a corporation incorporated under the laws of New Jersey, with an authorized capital stock in all of three hundred and forty thousand shares of the par value of \$100 each, of which shares sixty thousand or thereabouts are guaranteed stock, eighty thousand shares or thereabouts are preferred stock, and two hundred thousand shares or thereabouts are common stock, whose respective rights and priorities are set forth in the certificate of incorporation of said company; and,

Whereas such corporation has an issue of six per cent thirty-year gold bonds, to an amount of \$7,500,000, secured by a mortgage to the United States Trust Company, of New York, as trustee, bearing date January 1, 1894, upon the mills and property of the company; and,

Whereas default has occurred, or is likely to occur, in the payment of the interest falling due on said mortgage bonds on the first day of July, 1895.

The principal or interest, or both, of underlying liens upon the mortgaged property have fallen in arrears to a large amount, and have not been discharged, and certain other subsidiary liens are about to fall due, and that funds be provided therefor, and it is necessary that a readjustment be had of the rights and priorities

of the said bondholders; that further cash capital be provided for the company, and that a reorganization take place of its affairs for the benefit and security of the bondholders and stockholders alike; and,

Whereas if the mortgaged property should be sold under said mortgage there is danger that no adequate bid or price would be obtained therefor, unless the stockholders and bondholders, of whom there are a very large number, shall act in unison and protect their interests; therefore, the following plan for the protection of the interests of the bondholders, stockholders, and of all other parties in interest in the company has been agreed upon between the committee and a large number of bondholders, holders of guaranteed stock, of preferred stock, and of common stock, and certain creditors, viz:

Plan of Reorganization

One or more corporations shall be created, and by foreclosure of the existing mortgage made to the United States Trust Company or otherwise be invested with the title to the real estate and other properties of the company, or of such as the committee herein named shall determine to retain. The term company as hereinafter used is intended to refer to such corporation or corporations as shall finally be utilized to issue the securities or perfect the reorganization provided by this plan.

The Company shall create, and, as required, issue the following securities:

1st. Its fifty-year first mortgage six per cent gold bonds for the sum of \$1,000 each, bearing interest at the rate of 6 per cent per annum, and secured by mortgage or deed of trust to a trust company in the city of New York, approved by the committee, as trustee, and which, upon satisfaction of or providing for the existing mortgage of the United States Trust Company and the subsidiary liens, shall be a first lien upon the company's property, rights, and franchises, and which shall contain, among other things, provisions for a sinking fund of at least one per cent annually; for the payment of the said bonds at any time prior to maturity at the price of 105 and interest; for the sale of any of the real estate and property of the company not required for use in its business and the application of the proceeds, and such other provisions as counsel shall advise. The entire issue of such bonds shall be limited to \$3,000,000.

2nd. Its fifty-year consolidated five per cent mortgage gold bonds of \$1,000 each, or other approved denomination, secured by a mortgage or deed of a trust to a trust company in the city of New York, approved by the committee, as trustee, which, on satisfaction of or providing for the existing mortgage to the United States Trust Company and any subsidiary liens, shall be a lien upon the company's property, rights, and franchises, subject to the said first mortgage to the amount of \$3,000,000, hereinbefore described. Said mortgage shall contain similar provisions in reference to the payment of the said bonds prior to maturity at par and interest, for the sale of any real or personal estate not required for the business of the company, and such other provisions as counsel shall advise. The entire issue of bonds thereunder shall be limited to \$7,500,000, of which the necessary amount shall be used in exchange for the present outstanding issue of first-mortgage bonds and the interest due thereon, as hereinafter provided.

The said bonds shall entitle the holder to interest at the rate of five per cent in any year, payable from profits, if earned prior to any dividend upon the stock and not otherwise, which interest shall be non-cumulative. *Provided, however,* That in any year in which a dividend of two per cent per annum shall be declared and paid upon the stock of the company there shall be paid upon such consolidated bonds from the profits of the company for such year, if such profits shall justify the same, in addition to interest at 5 per cent, as above provided, an amount not to exceed $2\frac{1}{2}$ per cent, provided the unpaid interest in arrear on said bonds shall equal such amount, and if not, then to the amount of such interest as may be so in arrear. Such bonds shall also have voting power attached thereto.

3rd. Common stock to the amount of \$12,000,000.

Such shares shall be of the par value of \$100 each, and the form thereof and of such bonds and the mortgages to secure the same shall be such as the committee and counsel shall approve.

The holders of bonds and stock of the present company who shall become parties to the reorganization, and who shall deposit their bonds and stock with the committee, and comply with the conditions hereof, shall be entitled to receive bonds and stock as hereinabove described, on the following basis:

(1) The holders of the present outstanding issue of \$7,500,000 of bonds shall be entitled to exchange the same at par for such

consolidated bonds, hereinabove provided for, the interest coupon maturing July 1, 1895, to be paid in like bonds.

(2) Every holder of guaranteed stock of the present cordage company shall subscribe at par for said new first mortgage bonds (aggregating \$3,000,000) to the amount of \$20 per share for his respective holding, and shall pay \$5 per share upon becoming party to this agreement, and the remainder in three instalments upon the call of the committee upon not less than ten days' notice, and shall receive the completion of such payments and upon the performance of the condition herein, when prepared for issue, bonds of the said issue of \$3,000,000 at par to the amount of said payment in cash, interest on such bonds to be adjusted, and shall also receive eighty per cent in common stock of the new company at par upon the par value of his said holding of guaranteed stock deposited under this agreement.

(3) Every holder of preferred stock of the present cordage company shall subscribe at par for said new first mortgage bonds (aggregating \$3,000,000) to the amount of ten dollars per share for his respective holding, and shall pay \$2.50 per share upon becoming party to this agreement, and the remainder in three instalments upon the call of the committee upon not less than ten days' notice, and shall receive upon the completion of such payments and upon the performance of the conditions herein, when prepared for issue, bonds of the said issue of \$3,000,000 at par to the amount of said payment in cash, interest on such bonds to be adjusted, and shall also receive forty per cent in the common stock of the new company at par upon the par value of his said holding of preferred stock deposited under this agreement.

(4) Every holder of common stock of the present cordage company shall subscribe at par for said new first mortgage bonds (aggregating \$3,000,000) to the amount of five dollars per share for his respective holding, and shall pay \$1.25 per share upon becoming party to this agreement, and the remainder in three instalments upon the call of the committee, upon not less than ten days' notice, and shall receive upon the completion of such payments and upon the performance of the conditions herein, bonds of the said issue of \$3,000,000 at par to the amount of said payment in cash, interest on such bonds to be adjusted, and shall also receive twenty per cent in the common stock of the new company at par upon the par value of his said holding of common stock deposited under this agreement.

(5) Such bonds out of the amount of \$3,000,000 as may not be subscribed for, and any bonds or stock not required for exchange, and any securities or cash on hand shall be used and disposed of by the committee for any purpose or purposes of reorganization or the expenses thereof or for the benefit of the company, as to the committee may seem fit.

(6) From the amounts to be raised, as herein provided, the underlying liens existing upon the mortgaged properties of the company or such as the committee shall approve, shall be retired, provided that any of said existing bonds or sublying lien bonds or liabilities which the committee shall decide to pay if not due, or if payment cannot be made, may be left outstanding, provided the committee shall retain or deposit cash, or an amount of such new bonds of the issue of \$3,000,000 equal to the outstanding bonds or liens or equal to any liability thereon.

Now, therefore, this agreement witnesseth, that the subscribers hereto have agreed with each other and with the committee as follows:

First. That the parties of the second part hereby constitute and appoint Frank K. Sturgis, William Barbour, and John I. Waterbury attorneys in fact for them and each of them in carrying out this agreement and as the Committee of Reorganization.

Second. That each party hereto of the second part will co-operate to carry the foregoing plan, and this agreement, into effect and will deposit his bonds and stock of whichever class as herein provided with the Manhattan Trust Company at the city of New York when required, and will execute proper transfers of each of the same, so that the legal title thereto may become vested in the committee, for which certificates shall be issued, on behalf of said trust company, in such form as the committee shall approve, which certificates the committee will endeavor to have listed upon the New York Stock Exchange, provided, that if any of the parties hereto shall fail to surrender or transfer their said bonds or stock, or fail to make the required payments, or fail to comply with the terms hereof, such party or parties shall forfeit all payments and have no further right to participate in the benefits hereof.

Any stockholder or bondholder not becoming a party hereto, and not depositing his stock or bonds, shall not be entitled to participation herein, nor to share in any form in said reorganization.

Third. The committee shall be sole judge as to when and in what manner and to what extent the plan shall be carried out. The committee may, in its judgment, declare the plan operative; and in case, for any reason, the plan shall not be declared operative, or the same be declared abandoned, before or after any change therein, the securities deposited shall be returned to the several parties depositing the same, and all cash repaid, less the pro rata share of the expenses incurred, subject to the provisions herein contained as to the right to use certain of the cash to carry on the business of the company. The committee may extend time for acceptance, may abandon the plan at any time, and may take such other steps as in their judgment shall be deemed best to carry out the same.

Fourth. The committee, may fill any vacancy, appoint subcommittees, counsel, attorneys and agents, and incur such expenses as in its judgment are required in carrying out the plan. The committee may confer with any receivers appointed, and take such steps as shall, in their judgment, be necessary in regard to any claim or liability preferred against the receiver or the company. Said committee may transfer the said bonds and shares of stock into their own names, and may vote in person or by proxy upon the same either in their names or in the names of the equitable owners, at any meeting, regular or special, of the stockholders of said existing corporation, or otherwise, or may receive a proxy from the Manhattan Trust Company to vote on the same, and may take any steps generally which it may be advised by counsel to be necessary to protect the interests of the owners or for carrying out of said plan, and in particular may call any meeting which the stockholders or bondholders might call, and institute or defend any suits which the stockholders or bondholders themselves might institute or defend. The committee may in like manner declare due the principal of the said bonds secured by mortgage to the United States Trust Company, or take any proceedings or make any requests, whether for foreclosure of the mortgage or otherwise, to carry out the plan. The committee may, in the name of the bondholders, demand any action or relief from the United States Trust Company or other trustee which the parties themselves could demand. Upon any sale or sales of the property of the said existing company the committee may, in its discretion, purchase and acquire the same, or any part or parts thereof, and use said bonds and stock and securities in its

possession or deposited to pay for the same, and shall hold the same when so purchased, and generally exercise all and singular the powers and discretion which the parties of the second part, or any of them, might or could do singly or collectively as stockholders, bondholders, or otherwise. The committee may construe this agreement, including said plan, and its construction, made in good faith, shall be conclusive. The committee may designate the first board of directors of any company or companies, and cause the reorganization plan to be carried out.

Fifth. That the amount to be bid at any sale of the property of the company or any part thereof shall be in the discretion of the committee; and in case the committee shall not purchase the said property or any portion thereof, it may receive the dividends due on the securities held by it from the proceeds of sale and distribute the same, less the *pro rata* share of the expenses. The committee may, however, in case of a sale in parcels, permit any parcel or any particular property to be sold, and use the proceeds for the benefit of the reorganization. The committee may exercise its judgment as to which of the properties of the present company to retain, and whether any other property or properties should be acquired. The committee is further authorized to alter or amend this plan and supply any defects or omissions therein, or to otherwise change the same, provided, however, that the amounts to be contributed by stockholders, or demanded from them, shall not be increased, nor shall any increase be made in the amount of bonds to be secured by the first mortgage hereinbefore described, nor as to the amount thereof to be issued as is hereinbefore provided.

Sixth. The committee shall offer to each outstanding first mortgage bondholder the right of becoming a party hereto and of exchange as herein provided, and shall also offer to each and every guaranteed, preferred, and common stockholder becoming a party hereto the privilege of subscribing for the bonds so to be issued at the rate mentioned in the plan; and a syndicate or syndicates may be formed to carry out or make effective this plan, and to purchase the amount not subscribed for, and secure and guarantee the same. The committee is authorized to dispose of any bonds of the said amount of \$3,000,000, or of the said issue of \$7,500,000, or of any stock not taken, to said syndicate, as provided in this agreement, and, further, to pay such amount as shall in their judgment be necessary to any syndicate to underwrite or *guarantee* the same, and may use

the surplus of bonds or stock for the purposes of said reorganization.

Seventh. In case it becomes necessary to provide for fractions of shares or of bonds, in the distribution of the new securities, the committee will make such adjustment and cause scrip certificates to be issued. The committee shall have power, in case the plan be declared effective, to acquire, compromise, or adjust any outstanding bonds, claims, or evidences of debt, to borrow any money required to carry out such adjustment, and to raise any necessary funds, and to pledge all or any of the securities in its hands as security for the repayment of such amount, or for any other purpose hereunder, and to adjust any liens upon any of the property to be acquired, or acquire or purchase any other liens or property, and at any time, whether before or after the plan be declared effective; to advance or loan to the receiver or receivers of the company upon such security as said committee may approve such amount or amounts as shall be necessary for use in carrying on the business and affairs of the corporation, which loans while outstanding shall be deemed expenses of the reorganization.

Eighth. It is agreed, however, that the committee shall assume no responsibility except to undertake, in good faith, to carry out the plan. They shall not be personally liable, except in case of willful malfeasance or gross neglect, nor for the acts of their agents or employees. The committee shall act by a majority, and all acts of the majority shall be acts of the committee. Any member of the committee may resign upon giving notice in writing to the other members of the committee, and any member may become pecuniarily interested in any of the property or matters which are the subject of this agreement, and may become members of any syndicate to carry out the plan; and they shall be allowed reasonable compensation for their services.

Ninth. This agreement shall be printed and copies thereof, or a separate assent thereto, may be signed by the parties becoming parties thereto, but all of said copies of agreement so signed, or of said separate assents, shall be taken to constitute one original paper, and the deposit of stock or bonds hereunder without signatures shall make such depositor a party hereto.

Tenth. This agreement shall bind the heirs, executors, administrators, and assigns of the several parties assenting thereto, and such parties, by whatever name called, shall be held to include

guardians and all persons acting in any fiduciary capacity, and in like manner all corporations.

In witness whereof we have hereunto set our hands the day and year first above written.

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